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Sub-Saharan Africa's Partnerships with China and the United States of America

Exploring Trade and Financial Investments

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China's partnership with African countries is under scrutiny with many people increasingly worried by their willingness to give out loans regardless of whether a country would be able to pay back the loans. Critics are accusing China of using debt-trap diplomacy to take out resources by offering cheap loans without conditions. China claims that it has no interest in interfering in the internal affairs of its African partners, unlike its Western counterparts. For the U.S, its influence in Africa has decreased and it is increasingly worried by China's global ambitions. The current U.S administration has been warning African countries to reject China's loans and encouraged them to stick with the U.S as a more important partner. African leaders, however, still see China as a better partner as many of them can point to the infrastructure built by Chinese funding.

This research paper aims to explore the partnerships between China, the United States and sub-Saharan Africa specifically. The aim is to see who is a better trading partner for sub-Saharan Africa, and to explore the reasons why a majority of African countries prefer Chinese loans over traditional lenders from the West, such as the IMF and World Bank.

For African leaders, China simply represents a better partner because it is funding big infrastructure projects that meet the demand for infrastructure in Africa. Nobody is convinced that China or the U.S are in Africa for altruistic reasons and African leaders are well aware that China is also there for its own interests but to them it is important that a trading partner respects the sovereignty of a country and does not try to impose its own beliefs as many western countries have long been accused of doing.

Contents

1 Introduction

Both China and the U.S.A are two important strategic trading partners for sub-Saharan Africa. They both represent and invest in Africa differently and both of their relationships with Africa have divided opinions amongst people in Africa and outside. More recently, especially in the last couple of decades, China has been more aggressively doing business in Africa compared to the United States, which has cut back on its investments over the last decade. The Trump administration has a new strategy for Africa that looks to increase investment in Africa and curb China's growing influence but there are little signs so far that shows that the current U.S administration sees Africa as an important trading partner as President Trump has so far made no effort to visit Africa. The relationship between Western countries and African nations has never been fair and for many African leaders, China offers a better alternative to that offered by the Western countries.

Nevertheless, while it is true that there is no colonial history between China and Africa, many people are increasingly worried by China's engagement in Africa and are calling it neo-colonialism. The open-door policy has come under scrutiny as many critics point at the way China easily gives out loans to African countries, with many believing that this is a debt trap diplomacy designed to take out resources from Africa. For this reason it has a long-term negative implication for the continent. Western countries like the U.S have long been accused of using financial institutions like the IMF and the World Bank to advance their own ambitions by offering cheap short-term loans that come with a lot of conditionalities that allow Western corporations to come into developing countries and dominate markets. It is believed that this is one of the driving factors that leads to African governments to choose China's loans over those of the IMF and the World Bank.

2 China, United States and sub-Saharan Africa trade overview

2.1 China and USA trade overview

In 1978, China made a dramatic decision to reform its economy to a more market-oriented economy. The reform was based on China opening its doors to international trade and global investments. After the economic reform, China saw a large influx of foreign investment in the country and access to global markets made China an instant success story. China officially became a member of World Trade Organization (WTO) in December 2001. This move was highly encouraged by other WTO members because they also saw China as a big trading opportunity to be realised. China's rise to a world economic superpower is nothing short of remarkable and today China is the second largest economy after The United States of America.

Trade between China and USA has rapidly increased over recent decades. With China becoming the world leader on the industrial economy scale **(**Yang, 2019) and the United States having a huge consumer buying power, it is no surprise that today these two powerful countries have become each other's biggest trading partners. In 2018, the IMF (International Monetary Fund, 2018) estimated that China's economic output amounted to around $25,3 trillion, which is about 19% of the world's total gross domestic product (Amadeo, 2019). The United States is third, after the European Union, with an output of an estimated $20,5 trillion. Consequently, these numbers demonstrate the sheer power the two countries hold in the global economy.

The two nations have a complicated relationship that has not always seen them see eye to eye. Today the U.S. is accusing China of engaging in unfair trade practices that it now claims has resulted in a trade deficit of $378.6 billion in goods and services in 2018 (USTR, 2018). The United States argues that China is not protecting United States businesses' interests through limiting their access to Chinese market and theft of their intellectual property. They also argue that China is not doing enough to buy American goods. The sentiment coming from China is that the U.S. harbours jealousy towards China's increasing power and the motive behind the trade dispute is to curb the growth of China's rise as the biggest world economic powerhouse.

2.1.1 Trade accusations

According to the WTO Intellectual Property Rights agreement (IPR), all member states are required to adhere to the IPR agreement, meaning that member state governments must enforce these rights to prevent violation of these rights in order to protect owners of intellectual properties. IP owners must be granted rights through a fair and equitable process that must be simple, not costly and without unwarranted delays. Stealing of IP theft must be treated as a criminal offence. Regarding technology transfer, developing countries are required to promote incentives for their companies to promote the transfer of technology to developing countries in order to enable them to crease a sound and viable technology base (WTO | Understanding the WTO - Intellectual property: protection and enforcement, 2020).

China has been heavily criticised for, as some say, extorting the market. This is done through different mechanisms that have over the decades been perfected to China's advantage. China's successful economy largely depends on its ability to export more products than any other country in the world. The more China sells to the rest of the world, the more money is brought to the Chinese economy. This strategy is made possible by different methods. One of these is by giving incentives to Chinese companies to export more, which is done by providing subsidies to local companies or in some cases by giving them tax breaks and cheap loans from Chinese banks. (Lee, 2020).

China has been accused countless times of intellectual property theft. It is alleged that the transfer of intellectual property is made possible because China has some laws that may require foreign companies to partner up with Chinese companies if they wanted to do business in certain sectors (as shown by examples in Figure 1 below), which means that a foreign company might have to share information with their partners, including the technical knowhow of technologies. The Chinese government has strongly denied that there are such laws in China that force any foreign company to transfer any technology to their partners, and that transfer of technologies are a consequence of contract negotiations between a Chinese Company and a foreign one. According to Li Yong, deputy director of the China Association of International Trade Expert Committee, WTO members do have the right to relax or limit market access, adding that this was included in each country's commitments to the WTO (Haitao, Ke, Zhiming and Chaoyi, 2018).

2.1.2 United States intellectual property theft accusations against China

In 2017, the Office of the U.S Trade Representative (USTR, 2018) carried out an investigation into China's alleged unfair trade practices of technology transfers and infringement of intellectual property rights. The investigation was completed on March 22, 2018 and the report concludes that China is still engaging in unfair practices and that they have not made much progress in changing policies or enforcing international trade rules, which subsequently led to the U.S government imposing tariffs on Chinese goods worth around $250 billion (USTR Releases Updated Section 301 Report on China's Policies and Practices Concerning Technology Transfers and Intellectual Property Rights | Trump and Trade, 2018).

Some findings include;

- China may use indirect and informal ways to implement the transfer of technologies. Instead of having written instructions, they can use verbal instructions and requests, which makes it even more difficult to prosecute. In addition, U.S and other foreign companies are said to be scared to come forward and report unfair practices because they fear retaliation from the Chinese government. The Chinese market is extremely important to U.S companies and the risk is not worth it (USTR, 2018). https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF

- Government initiated outbound investment strategy. A strategy that encourages Chinese companies, with many of them being state owned, to make investment in foreign countries like the U.S. The idea is to buy high tech companies in order to have access to U.S technologies in important industries (USTR, 2018).

- China is not doing enough to stop cyber theft, which leads to the acquisition of important information such as trade secrets or confidential business information (USTR, 2018).

- Discrimination on issuing patent rights to foreign companies as a way of making it easier for Chinese Companies to use U.S companies' technologies (USTR, 2018).

Subsequently, in 2018, the United States requested consultation with China at the WTO to address these unfair trade practices.

Table II.1: Examples of Equity Restrictions and Local Partner Requirements in China's 2017 *Foreign Investment Catalogue*

Sector	Summary of Requirements
Selection and cultivation of new varieties of crops and production of seeds	Chinese party must be the controlling shareholder.
Exploration and development of oil and natural gas	Limited to CJV or EJV
Manufacturing whole automobiles	Chinese party's investment cannot be lower than 50 percent, and the same foreign investor may establish no more than two JVs in China for the same kind of automobiles, subject to certain exceptions.
Manufacturing commercial aircraft	Chinese party must be the controlling shareholder.
Construction and operation of nuclear power plants	Chinese party must be the controlling shareholder.
Value-added Telecommunications Services	Foreign investment cannot exceed 50 percent, excluding e-commerce, and is limited to WTO commitments. Note that China classifies a broad range of internet and technology-related services under this sector.
Basic telecommunications services	Chinese party must be the controlling shareholder and foreign investment is limited to WTO commitments.
Banks	Foreign financial institution investment cannot exceed 20 percent or 25 percent depending on how the investment is structured.
Medical institutions	Limited to CJV or EJV.
Surveying and mapping companies	Chinese party must be the controlling shareholder.

Figure 1 Partnership requirements examples (USTR, 2018).
https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF

2.2 Sub-Saharan Africa trade

Sub Saharan-Africa is a region of the African continent consisting of 1.08 billion people (UN Development Program, 2020). According to IMF data for April 2020, sub-Saharan Africa's Real Gross Domestic Product growth projections show that the region has declined by -1.6 during the preceding year. The decline is attributed to the current Covid19 pandemic situation that the whole world is going through. Sub-Saharan African countries stand to lose a lot of money through the collapse of tourism. Additionally, governments might have to spend more money to combat the pandemic as meanwhile exports are being affected negatively (Madden, 2020). However, projections show that the region is expected to grow by 3.8% next year 2021. Some of the best performing economies in 2020 include South Sudan that had a 4.1% growth rate, Uganda at 3.5%, Rwanda at 3.5%, Ethiopia at 3.2% as well as Benin and Senegal which saw 4.5% and 3% respectively. The bigger economies in sub-Saharan Africa like Nigeria, South Africa and Angola saw a negative growth that stood at -3.4%, -5.8% and -1.4% respectively. However, all the countries in sub-Saharan Africa are projected to have growth in 2021. External government debt to GDP stood at 55.93% with countries like Angola, Republic of Congo, Cabo Verde, Eritrea and Angola having more than 100% debt to GDP. The region's government debt is projected to grow by about 2% next year, which is a slight improvement from 2019 (IMF, 2020).

With many developed countries experiencing a decline in birth rates, sub Saharan-Africa is estimated to have the biggest growing population in any region in the world. It is important to note why this subject of a young generation is important. In young people the region has an opportunity to invest in its population and reap the rewards in the future, as young people are innovative and full of ideas. Africa needs new ideas and direction that can trigger an economic freedom that the population desperately needs, especially young people who are eager to see the continent succeed. Having a larger and younger population is an indication that the region will have a bigger consumer base and a bigger workforce.

Africa is a continent rich in natural resources: from oil, diamond, gold, platinum, uranium, the continent is particularly rich. According to the World Bank, Nigeria is sub-Saharan Africa's biggest economy with a GDP of $397 billion, with South Africa, being surpassed by Nigeria recently coming second with an economy value of $366 billion (Whiting, 2019).

In terms of trade, Africa is not united, in fact, only 17% of trade happens internally and the rest externally. As a result of low intra-continental trade, a lot of revenue is lost and many opportunities to develop the continent go unrealised. A lack of transport links between African countries compounds the problem: roads, railway, airports and seaports must be improved. Africa mostly exports raw materials and other semi-finished goods; the continent is looking to export more finished goods with value addition in order to gain more revenue.

2.2.1 Role of the African Union

The African union (AU) is a continental body consisting of the 55 member states that make up the countries of the African continent. The AU was officially launched in 2002 as a successor to the Organisation of African Unity (OAU), which was originally formed in 1963. The union draws inspiration from the European Union and hopes to replicate the blueprint to bring about peace, unity and economic stability on the continent. When the OAU was originally formed in 1963, its main objectives were to fight colonial and apartheid powers, to bring unity amongst Africans and to play a bigger role in the global economy. As time went by, the Union largely remained stagnant and it was reformed in order to deal with new challenges.

The aims of the AU are as follows (About the African Union | African Union, 2020):

- Achieve greater unity and solidarity between African countries and the people
- Defend the sovereignty, territorial integrity and independence of its Member States;
- Accelerate the political and socio-economic integration of the continent;
- Promote and defend African common positions on issues of interest to the continent and its peoples;
- Encourage international cooperation
- Promote peace, security, and stability on the continent;
- Promote democratic principles and institutions, popular participation and good governance;

- Promote and protect human and peoples' rights in accordance with the African Charter on Human and Peoples' Rights and other relevant human rights instruments;
- Establish the necessary conditions which enable the continent to play its rightful role in the global economy and in international negotiations;
- Promote sustainable development at the economic, social and cultural levels as well as the integration of African economies;
- Promote cooperation in all fields of human activity to raise the living standards of African peoples;
- Coordinate and harmonise the policies between the existing and future Regional Economic Communities for the gradual attainment of the objectives of the Union;
- Advance the development of the continent by promoting research in all fields, in particular in science and technology
- Work with relevant international partners in the eradication of preventable diseases and the promotion of good health on the continent.
- Ensure the effective participation of women in decision-making, particularly in the political, economic and socio-cultural areas;
- Develop and promote common policies on trade, defence and foreign relations to ensure the defence of the Continent and the strengthening of its negotiating positions;
- Invite and encourage the full participation of the African Diaspora as an important part of our Continent, in the building of the African Union.

2.2.2 African Continental Free Trade Agreement (AfCFTA)

Hailed as the saviour of African economic problems, the African Continental Free Trade Agreement was launched by the AU in 2018 in Kigali, Rwanda and it is set to be the biggest free trading zone with 55 countries set to sign the agreement (Manders, 2019). In comparison, the European Union, the second largest union, has 27 countries. AfCFTA is hoping to combine all 55 countries to create one single market with a population of 1.2 billion people and a combined GDP of $2.5 trillion. It is projected to boost intra-continental trade by eliminating tariffs, encouraging growth of local businesses, speeding up industrialization and creating jobs. Member countries will be required to reduce tariffs on good to as much as 90%, which will see an increase of about 52% intra trading on the continent in a couple of years. A lot of people in Africa find it much easier to buy things from other countries outside Africa. For many people, buying goods from China is better; not only is it cheaper but it is less of a hassle (Ighobor, 2018). The agreement will take time before results can be seen, as it is estimated that it can take up to 10 years as there are a lot of obstacles to overcome but many leaders in Africa are optimistic and believe that such an agreement was inevitable. Unfortunately, because of the Covid19 global pandemic, the agreement has been postponed from coming into effect as previously agreed for July 1, 2020 (Olisah, 2020). Currently there is no date set when it will come into effect as governments all over the world fight to contain the Covid19 virus.

3 China and sub-Saharan trade

3.1 Overview

Many people across the globe, especially Western media and governments, and some Africans, regard Africa as becoming a victim of China's global ambitions rather than its equal trading partner. China's partnership with Africa is a highly polarised topic and it will remain to be so for as long as its influence on the continent remains high. Still, China and Africa continue to work together to improve their partnership that aims to benefit both parties instead of one as most currently see. There is a good argument to be made by critics who say that this partnership is dangerous for Africa and in the long run, it is designed to be a trap that benefits China the most. Some even go as far as saying this is neo-colonialism.

These days many would agree that China is Africa's biggest ally, not because it is Africa's biggest trading partner but because it has an open-door policy for Africa. However controversial its partnership with Africa is, some believe China is the lesser evil of the superpowers of this world when comparing it to more traditional African trading partners like the United States or the Europeans. Since 2005, China has invested over $600 billion in Africa, with most of that money being invested in infrastructure, energy services and extraction of minerals. China also became Africa's biggest lender and China’s policy of no political and economic preconditions on loans has made its loans more favourable compared to the more traditional institutes like the IMF and World Bank, which have for a long time now been accused of being puppets for Western neoliberal global ambitions. While the United States has changed its strategy on how to do business in Africa, for China there is no plan to reduce its commitment to the continent and China continues to see Africa as worth the investment. In 2018, at the China-Africa summit held in Beijing, China, president Xi Jinping further promised that China will commit another $60 billion in financial support to African countries, with no strings attached (Sow, 2018).

China’s willingness to offer loans to struggling countries is something that many are suspicious of because some of these countries won’t be able to pay the loans back. Instead, perhaps what they must give to China in case of such a scenario may be something much more worth than the original loan’s value. This suspicion is not unfounded as there have been cases where countries had to give up valuable assets used as collateral. In 2015, Sri Lanka gave up its port and 15 000 acres of land for 99 years to China because it was not able to pay back loans (Abi-Habib, 2018). But on the other side of the coin, many still see China as a better trading partner. China’s investments in infrastructure projects have been welcome because Africa largely lags other developing countries in infrastructure development. A lack of infrastructure makes it hard for Africans to do intra-continental trading as costs are high and access to services and goods is a problem. Africans also look at China as a partner that does not look to impose its beliefs on Africans and has no history of colonialism in the continent. African governments are largely allowed to attend to their own national affairs without being told how to do it by China.

Still, China remains sub Saharan-Africa’s biggest trading partner, but this partnership has been experiencing some problems lately with China changing its investment strategies. More recently, China has been concentrating more on domestic consumption to boost its own economy (Chen and Nord, 2018).

3.2 China's investments in sub-Saharan Africa

- Industrial and Commercial Bank of China (ICBC Investment) made the largest foreign investment in Africa by acquiring a 20% stake worth $5,6 billion in Standard Bank of South Africa in 2007 (Chen and Bosch, 2007). By investing a lot of money in Africa's largest commercial bank, China is signifying its commitment to Africa and leading the way in showing confidence in the continent when others have been cutting back on their investments. China's investment in Standard Bank encourages more trade between Africa and China.

  "We think it (the ICBC investment) is an enormous vote of confidence in South Africa and in Africa," Standard Bank Chief Executive Officer Jacko Maree said at a presentation on the transaction in Johannesburg. The deal will give Standard Bank access to the world's fastest-growing economy, further enhance its capital base and boost the bank's ability to facilitate and finance trade flows between Africa and Asia, Maree said (Chen and Bosch, 2007).

- In 2018, China and Ghana struck a deal that would see China release a $ 2 billion funding package to be used for road construction projects across Ghana. In exchange, China gains access to 5% of Ghana's bauxite (source of aluminium). The construction of these projects will be undertaken by a Chinese construction company. Another 100 vehicles for the Ghanaian police service were included in the deal as well as a $42.7 million grant and a $40 million debt write off (Smith, 2019).

3.2.1 One Belt One Road initiative

Deemed as China's key to be the number one global force, the OBOR (One Belt One Road) project is the most ambitious initiative so far to cement China's position as a global economic power. According to China's leadership, this strategic initiative is going to reshape China's global engagements. The project covers 3 continents: over 65 countries have already signed up for the project and 20 of them are from Africa. The project will strengthen China’s trade with other countries, in addition to economic incentives, political as well as military power.

China’s One Belt One Road initiative is going to have a positive impact on sub Saharan-Africa, as it is promoting development in many countries in the region. It will strengthen China’s influence in Africa, not only economically but also politically. The initiative will have a positive effect on key sectors such as: energy and power, infrastructure projects, public utilities, construction, transport and logistics (Dong, Davis and Yu, 2018).

One of the biggest projects to come from the OBOR initiative is the railway in Kenya, which stretches from Nairobi (capital city) to Mombasa. In 2017, the railway was opened, to the benefit of many Kenyan citizens as travelling time was cut short and people could now travel in comfort. Instead of a 12 hours bus drive, the distance is now 4-6 hours shorter (Greg Mills, Emily van Der Merwe 2019). It also meant that more goods could travel between the two cities as trains generally can carry more containers compared to trucks. Neighbouring countries could also use the new railway system to their advantage. The railway was funded through a $3,2 billion loan acquired from China’s EXIM bank (Edwin Okoth, 2020).

3.2.2 Case against China’s role in Africa

For China, Africa is an important strategic partner for various reasons. All of China’s investment projects in Africa have a huge advantage for China, and a case can be made that China stands to win much more out of these than Africa. Africa is a massive user of Chinese industrial commodities, and imports of these commodities have increased for the use of One Belt One Road projects on the continent. When the Nairobi-Mombasa railway was being built, China’s export of cement to Kenya increased by 10 times, and the cement was then used to build the railway. The cement was not the only export; Chinese labour was also used, and this is not unusual, as it is common that China brings its own labour when working on projects like these in Africa. According to data, as of 2018, there were about 200 000 Chinese workers employed across Africa on various projects (National Bureau of Statistics Of China, 2020). In the case of East Africa, the excess supply of cement and other industrial commodities such as steel, coal, aluminium etc. in the region creates big problems for the economies of those countries. For example, Kenya's export of cement in the region dropped by 40% as a result of Chinese cement flooding the market (Nantulya, 2020)). Furthermore, some of these big infrastructure projects not only cost a lot to finance them but countries get loans from China and these loans create uncontrollable debt. Projects such as the Kenyan Nairobi-Mombasa railway are failing to stimulate any new economic activities and are also proving to be expensive to maintain (Misheck Mutize, 2020).

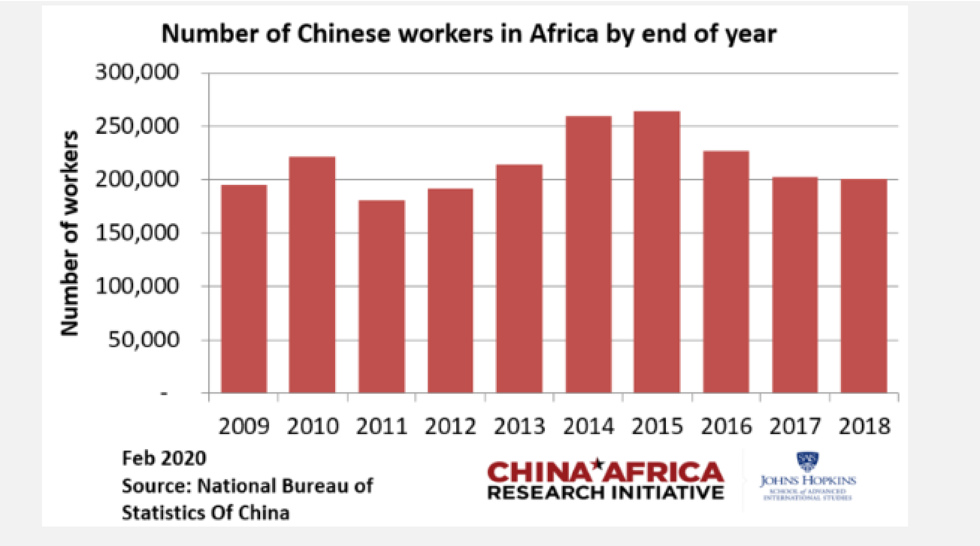


Figure 2 (Chinese workers in Africa (National Bureau of Statistics Of China, 2020)

3.3 Good loans or debt trap?

African states need money to develop infrastructure and boost their economies. Because of low economic growth caused by the financial crisis of 2008, many African governments have had to borrow more money to fill the gap. Over the last two decades, Chinese loans to sub-Saharan African countries went from $1 billion in 2001 annually to $10 billion annually in 2017. Angola has the most debt owed to China in the region with loans totalling $42,8 billion in the last few decades. Consequentially, this has led to a few countries such as Angola, Zambia, Ghana and Nigeria paying 20% of their revenues to finance debt from China. It is also important to note that as the country with the highest debt owed to China, Angola is the largest supplier of crude oil to China in Africa and 4th largest in the world (Workman, 2020). Countries with natural resources such as Angola often use their resources as collateral in case they are unable to finance their debts with cash. With Angola paying back debt by way of sending oil to China, it leaves the country with little oil to sell in the market and this leaves the country with little revenue coming back in. In 2004, China's state-owned oil company Sinonpec acquired a 55% stake in Angola's state-owned oil company Sonangol called Sinope Sonangol International (Jenkins, 2019). Over the last decades it has made further investments in oil fields in Angola, and as well as acquiring other natural resources in mining industries.

For many Africans, China's engagement in the continent is becoming eerie and distrust is on the rise. More people are becoming wary of China's willingness to give soft loans to African governments. The amount of loans that are being given out to governments is being questioned and some even wonder if African governments fully understand what they are getting themselves into. The terms and conditions of these loans are not always clear, and China has been accused of lacking transparency with regard to these agreements. For many people these loans are increasingly becoming too much and they are wary of how these loans will be paid back in the future. One of the arguments against China's soft loans to Africa is China's willingness to turn a blind eye on corruption and dictatorship in Africa. In 2019, Transparency International's annual Corruption Perceptions Index listed sub-Saharan Africa as one of the most corrupt regions in the world (Transparency International, 2020).

For China to keep giving loans to some of the most corrupt governments is a cause for concern. A corrupt government is one that is known for misusing public funds. The loans are not always used to provide goods and services to people. The loans are mismanaged and sometimes are used to finance big projects that do not necessary translate into economic growth. In the end most of these countries must go back and get new loans in order to finance repayments on old loans. This is not a sustainable practice; more debts mean that countries must keep spending the majority of their revenues to finance old debts. For instance, Nigeria spends close to 60% of government revenue to finance debt, with 20% of that going to China alone (Goldsmith, 2019). This means that the money that could have been used to finance projects and offer goods and services to the people is now being used to pay off interest on debts. It creates dependence on foreign loans, and it may eventually lead to an economic collapse.

For many African leaders, however, China is a much better friend compared to their Western counterparts. This sentiment was repeated by the President of Rwanda and African Union chairperson when he praised China's aid and investment policies in Africa as a source of deep transformation. He claims Western critics are more interested in disrupting Africa's relationship with China. These words were openly said during the 2018 Africa-China summit held in Beijing. As the chairperson of the African Union his words represent the Union. Many African leaders are quick to dismiss criticism from the West, insisting that Africans know the conditions of their partnerships with China and nations must take personal responsibility to use loans wisely to deliver services to their population, to invest in projects that are able recuperate some money that can go back to repaying loans. If they are unable to pay back loans, then they must take blame. Another African leader, Cyril Ramaphosa, president of South Africa, states that Africa refuses to accept the views from outsiders that China is colonising Africa (Taddele Maru, 2019).

3.3.1 Zambia's partnership with China

Zambia is a country with a population of roughly 16.5 million people, it is situated in Southern Africa. A land locked country bordering Tanzania, Namibia, Malawi, Botswana, Angola, DRC and Zimbabwe. It is a country rich in natural resources like gold, silver, copper, cobalt, coal, Uranium and has one of the largest emerald mines in the world (Mwamba, 2018). Shortly after gaining independence from Great Britain in 1964, Zambia nationalised the mining sector for the government to get more revenue. At some point, revenue the government got from the mining sector made up 58% of state income. Nationalising the mining sector had a positive impact and Zambia's economy was relatively successful and was even considered a middle-income country and had a great level of gross domestic product. Things went from good to bad following the collapse of copper prices in 1974 combined with the oil shocks of 1973 and 1979. Zambia's economy collapsed and it never managed to recover. As a result of Zambia's economic downturn, the country has been heavily dependent on borrowed money ever since. First it was from traditional lenders like IMF and World Bank; also, important to note that it was the IMF's Structural Adjustment Programs that resulted in Zambia privatising its mining sector again. Since then, the mining sector has been in the hands of foreign corporations. The Copper mines have been controlled by 7 foreign corporations to date as shown in Figure 3 below (Schoneveld, German and Gumbo, 2014). Currently China has become Zambia's biggest lender and the third largest destination of Foreign Direct Investment (FDI) from China.

Over the last two decades, most of Zambia's biggest projects have been funded by China. These include football stadiums, a conference centre, housing complexes, police station services and a hydropower plant. While it is true that projects like these are important (though not always) and necessary as they can create employment for the locals and stimulate economies (Ofstad and Tjønneland, 2019), many of them do not generate any income that can be used to pay back loans. Furthermore, many of the project tenders were given to Chinese contractors, and as with the case of the Kenyan railway, Chinese companies tend to bring their own labour as many companies have claimed that often locals do not possess the skills to work on these projects. Furthermore, they bring their own materials and machinery as a way of protecting their own interests as well. Even though China claims that its loans do not come with political conditions, there is a strong belief that they do come with other conditions such as using Chinese labour and materials. This is a big problem, not only in Zambia but in other sub-Saharan African countries. Loans must be paid back, and many times with interest, but now the money from loans is also used to pay Chinese companies. In the end the money comes from China and goes straight to Chinese companies, some of which are even Chinese state-owned companies.

Zambia is the 3rd biggest destination of China's FDI in sub-Saharan Africa. China has stepped in to help fund Zambia's biggest projects where the IMF and World Bank are unable to. As of 2018, Zambia's external debt amounted to about $9,7 billion, and out of that, $3,1 billion was owed to China (Mfula, 2018). But this partnership is not all sunshine, and in recent years the relationship between the two countries has become increasingly worrying. As a result of growing debt to China, news started circulating that China was going to take over Zambia's state-owned power supplier and utility company, Zesco, as a way of collecting debt. This news was further spread from U.S when during the unveiling of the Trump administration's new strategy for Africa, White

House National Security Advisor, John Bolton, made a claim that Zambia owes China $6-10 billion and that China was about to take over the state company Zesco. He claimed that China's practices in Africa are of a corrupt and predatory nature (The White House, 2018). However, this claim was quickly dismissed by Zambia's presidential spokesman Amos Chanda. He made it clear that Zesco was never on the table to be used as collateral (Mfula, 2018). Nevertheless, the rumours of Zambia's state assets being taken over by China have never really gone away and the uncertainty and lack of transparency of the dealings between the two countries will keep such talk alive.

Table 9. Major copper mining operations in Zambia.

Company	Major shareholders	Copper production in 2009 (in MT)	Aggregate copper output 2004–2009 (in MT)
Kansanshi Copper Mining	First Quantum (Canada), ZCCM	250,439	839,364
Konkola Copper Mines	Vedanta Resources (India/UK), ZCCM	135,027	914,412
Lumwana Mining	Equinox Minerals (Australia/Canada)	108,985	108,985
Mopani Copper Mines	Glencore (Switzerland), First Quantum (Canada), ZCCM	98,218	829,519
Non-Ferrous Company Africa (NFCA)	China Nonferrous Metals, ZCCM	23,489	135,499
Chibuluma Mines	Metorex (South Africa), ZCCM	16,460	172,229
Luanshya Copper Mines	China Nonferrous Metals, ZCCM	508	89,035
Bwana Mkubwa Mining	First Quantum (Canada)	0	65,264
Total		**633,126**	**3,154,307**

ZCCM = Zambia Consolidated Copper Mines
Source: Ministry of Mines and Minerals (2010a)

Figure 3 Foreign controlled copper mines (Schoneveld, German and Gumbo, 2014)

3.4 Why African governments prefer Chinese loans over IMF or World bank

The World bank and International Monetary Fund (IMF) are both financial institutes that provide loans for developmental purposes. They pride themselves in fighting corruption, modernising economies and providing sustainable alternatives. They are similar in many respects and are often described as sister institutes; the difference is that the IMF provides short term loans to struggling countries, especially those that are experiencing currency problems. Usually these countries find themselves having a hard time paying back other loans or unable to pay for imports. The IMF’s job is to help those struggling countries to stabilise their economies and operate in a sustainable manner through what it calls economic surveillance (IMF Annual Report 2019). The World Bank provides long term loans for developmental projects, usually with the purpose of reducing poverty. Both financial institutes are used as a last resort for countries in desperate situations and the loans have very low interest rates and sometimes no interest rates at all to low income earning countries. The IMF’s headquarters are situated in Washington DC, United States of America. There are 189 member countries belonging to the institution. There are 24 people on the executive board that all represent member countries or a group of countries. Voting power is given based on who contributes the most. The more a country contributes financially, the more voting power it has.

On the IMF official website, it is stated that borrowing countries must agree to adjust their economic policies that led to them needing to borrow money. Basically, when a government makes a loan agreement, the IMF brings its own conditions that are meant to help the borrowing country to recover from the economic situation that made it need to borrow money from the IMF and ensure the borrowing country pays back the loan (IMF Conditionality, 2020). These conditions are called Structural Adjustment Programs or simply SAP. Some of these programs include control of government expenditures, privatization of state enterprises and deregulation of the economy, less restrictions on foreign investors ability to do business in the country. Reductions in restrictions means lowering taxes on imports and eliminating quotas for foreign firms, which evidently means less protection for local markets. A conditionality like privatisation of industries and services that are run by government, such as mining or fishing can mean that international corporations take over these sectors, as result of other conditionalities that promote liberalization of markets. If a foreign corporation takes over a mine, it means that natural resources leave the country, it means that more money leaves the country and it means there is less money for the government for its annual budget. And when things go bad, these corporations pack up and leave, leaving people unemployed. Devaluation of currencies is also encouraged to increase exports (Bello, 2006).

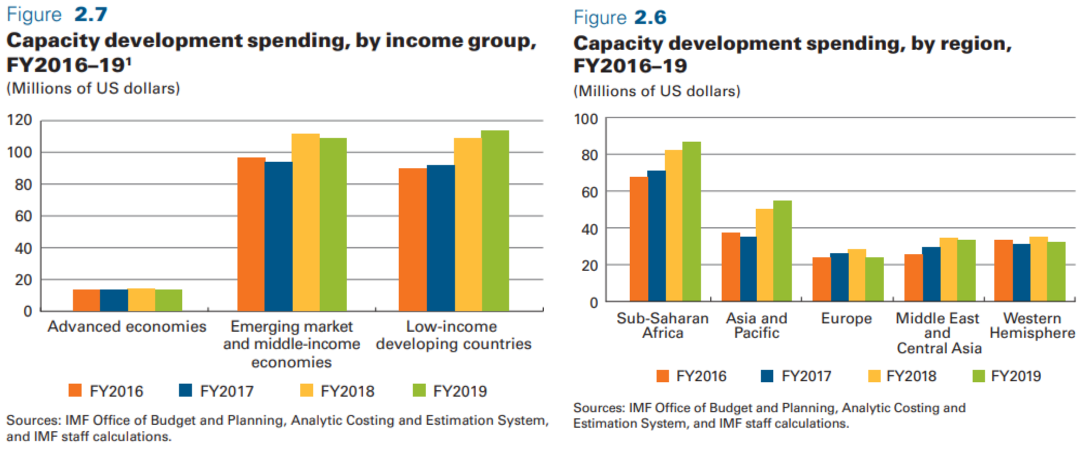


Figure 4: IMF funding distribution (IMF Annual Report 2019).

3.4.1 The case against the IMF

The IMF and the World bank have long been accused of being tools of Western corporations or interests. While they have some success stories in some countries where they have been able stabilise and modernise economies, for other countries, the conditionalities or SAPs of the IMF and World Bank are not favourable as they interfere with internal matters. After all the decades of African countries dealing with the IMF and World Bank, what progress can IMF pinpoint and say they have done better than China? African countries largely remain poor, even though a majority have had positive economic growth, but many of the problems like unemployment and high inequality remain, especially in sub-Saharan Africa. China, on the other hand, can point to infrastructure projects in construction and energy.

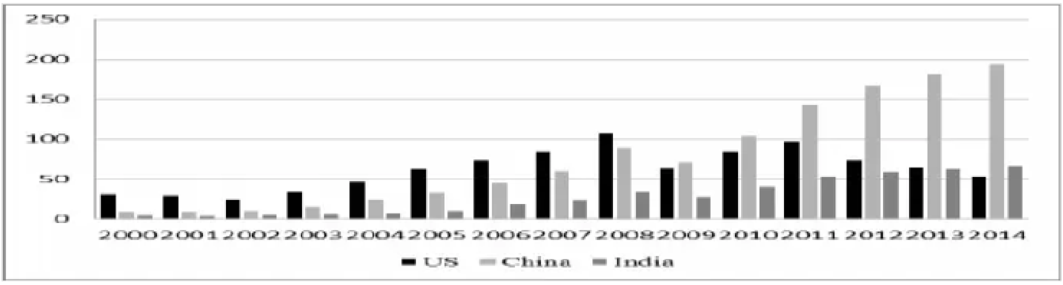
As President Xi Jinping of China told African leaders at the Africa-China 2018 summit, the $60 billion investment that China has committed to Africa comes with no conditionalities (Sow, 2018). China claims that it has no interest in changing African ways of doing things, and it does not wish to impose anything on Africa, unlike the Westerners. The IMF on the other hand operates very differently; even though its loans may be cheap, they are not regarded as favourable because they can interfere with the political process, even where that is democratic. There is also the argument that most of the conditionalities that come with these loan packages are really designed to favour Western corporations. Requiring countries to devalue their currencies is inviting countries with stronger currencies to buy commodities at cheaper prices and a weaker currency means that developing countries now pay a higher price when buying things from the global market. Requiring countries to remove tariffs or reduce taxes on imported goods allows foreign corporations to enter a developing country to sell their products and often end up taking over the market. Those are just a few examples of how IMF and World Bank conditionalities can be detrimental to the economy of a developing country.

4 United States and sub-Saharan Africa trade

The U.S has lost a considerable amount of influence in Africa, and this can be attributed by the mere fact that over the decade, competition for influence in Africa has been high, especially from China. The current administration does not seem very much interested in Africa and perhaps does not see it as a strategic point now. Trump has not made it a priority to visit any African country to date. The U.S presidents before him have made numerous trips to Africa. George W Bush has visited Africa 11 times, Bill Clinton 10 times and Barack Obama made 9 visits to the continent (Dahir, 2018). While there is still time for Trump to make that visit, his counterpart Xi Jinping of China has so far, since he was made president in 2013, visited Africa at the beginning of each year (Lijadu, 2018). Then there were reports that came out in 2018 where Trump was alleged to have called Haiti and African countries “shithole countries”. It was alleged that the remarks were made in a meeting where Trump was complaining about immigration of people coming from Africa and argued that the U.S needs more people from countries like Norway (Schneider, 2018). The president himself has never denied these claims.

In terms of trade, US goods exported to sub Saharan- Africa amounted to $15,8 billion with imports at $25,1 billion, creating a trade deficit of $9,2 billion (Africa | United States Trade Representative, 2019). Trade between sub-Saharan Africa and the United States sharply declined subsequent to the financial crises of 2008. Figure 5 below shows that after 2009, China officially became sub-Saharan Africa’s biggest trading partner. Calculations show that in 2000 U.S. trade with sub-Saharan Africa amounted to about $30.6 billion and in 2008 it stood at around $107.3 billion. Since then it has declined to $52.8 billion in 2014(Wioletta Nowak, 2017) and as of 2018, that amount stood at $40,9 billion ((Africa | United States Trade Representative, 2019).

Fig. 3: The bilateral trade of the US, China, and India with sub-Saharan Africa, 2000-2014 (USD billion)



Source: Own calculations based on UNCD (2016).

Figure 5: Trade comparison between 3 countries

4.1.1 African Growth and Opportunity Act

The African Growth and Opportunity act (AGOA) is a U.S economic and engagement policy with Africa. It was enacted in 2000 for a period of 8 years and has been extended 4 times, and the current extension ends in 2025. AGOA allows qualifying sub-Saharan African countries duty-free access to U.S markets for over 1800 products. To meet AGOA's rigorous eligibility requirements, countries must establish or make continual progress toward establishing a market-based economy, the rule of law, political pluralism, and the right to due process. Additionally, countries must eliminate barriers to U.S. trade and investment, enact policies to reduce poverty, combat corruption and protect human rights.

4.1.2 Trump administration strategy for Africa

On December 13, 2018, Trump Administration National Security Advisor John Bolton held a press conference at the Heritage foundation, Washington, D.C where he outlined the new Africa Strategy for the current U.S administration. A lot of the talking was centred around China's engagements in Africa, and there was a lot of criticism towards China. In fact, the name China was mentioned 14 times in that speech. The main accusation against China, he claims, is its “debt trap diplomacy” that it is practicing in Africa, and John Bolton took the opportunity to warn African leaders against falling into this trap. He claims that China is monopolising natural resources all over the world and the One Belt One Road initiative, a project that is going to be operational over decades, is going to need a lot of resources and for this reason China will use Africa.

Apart from warning African leaders of China’s debt diplomacy, he also spent a considerable amount of time talking about Russia and how it is also engaging in predatory practices on the continent. John Bolton accused both countries of inhibiting investment opportunities for the U.S. Furthermore, he claims that U.S military operations on the continent are also being threatened and that is a direct threat to U.S national security as there are still several terrorist groups on the continent that are planning to harm the U.S. Bolton made the example of China building a military base in Djibouti. The base in question is not far from the already existing U.S base, and Bolton feels that it interferes with the U.S operation to counter violent terrorist organizations in East Africa (John Bolton Unveils Trump Administration's New Africa Strategy, 2018).

Some of the main priorities the U.S has for the new strategy include;

- Advancing trade and strengthening ties so that Africa can prosper.
- Dealing with terrorism to combat plots against harming Americans and for African countries to contain terrorism.
- Cutting back on funding unsuccessful peace keeping operations.
- Advancing rule of law on the continent.
- No foreign aid for corrupt governments.

John Bolton argues that U.S has donated a lot of humanitarian aid to Africa over the last two decades. In fact, this amounts to more than all other donors put together. in

2017, $8.7 billion was donated and a similar sum the previous year. The time of wasting money was over and now it will be based on results.

The message was made clear that the new Africa strategy is to help African countries and that they should reject China and Russia. However, it did not always feel like that while listening to the speech, considering a lot of it was about protecting U.S interests on the continent. Talking about China and Russia is an indication that even though the strategy was about Africa, it may have really been about China and Russia as the two countries are both a threat to U.S political power and influence. While China's main stance is providing funding for developmental purposes without conditions, the U.S. has requirements with respect to who gets funding. Additionally, it is moving from an aid giving relationship to one that will be more concentrated on development and investments in business. It is a clear indication that the U.S has learned from China on what African leaders are looking for. People on the continent feel like they have not benefited from aid, as humanitarian aid and military operations have nothing to show for them as the continent still has problems with poverty and terrorism.

The new strategy was received with mixed feelings. Liberian former minister of public work, Gyude Moore, claims that the new strategy is a step in the right direction, but the lack of political star power was insulting. She added that the U.S is not doing enough, and it did not even have the decency, the courtesy to send a high-ranking official to the event (Paquette, 2019).

5 Conclusion

Since China's economic reform and its joining the World Trade Organization in 2001, it has emerged from being a poor country to becoming the second biggest economy in the world after the U.S. They are each other's biggest trading partners with a combined $737.1 billion in goods and services moving between the two countries. However, they are also competing for global influence and their relationship has been shaky lately with the United States accusing China of unfair trade practices. For a long time, the U.S and Western countries were sub-Saharan Africa's biggest trading partners, but over the last two decades China made a lot of commitment to investing in Africa and officially became its biggest trading partner in 2009. It is increasingly becoming apparent that for the U.S, sub-Saharan Africa is not seen as an important partner when comparing how much China is involved in Africa. Still, the U.S is reminding African countries that it is still committed to helping Africa to develop and to be self-reliant. The current Trump administration has committed to invest more in Africa, but the message seems more centred to curbing China's influence on the continent, rather than to trying to help Africa.

Sub-Saharan Africa lacks a lot infrastructure to stimulate intra-continental trade between the nations in the region, and its partnership with China provides a chance to meet this demand for infrastructure as China has offered to fund a lot of projects in Africa as part of the One Belt One Road initiative that covers 3 continents, and which aims to connect China to the rest of the world by controlling supply chain and increasing global influence in the process. The OBOR initiative will bring some much-needed development in sub-Saharan Africa but it comes with many challenges and problems. An example of these concerns the railway built in Kenya. The project was costly and needed the Kenyan government to take out loans from a Chinese bank. Furthermore, the railway was built using Chinese labour, machinery and industrial commodities such as cement. The railway is currently not generating enough revenue that can be used to pay back the loan. This is not an isolated case and it is increasingly becoming more common in Africa.

African countries keep echoing that China is an equal partner that respects African traditions and way of doing things. As for China, it is happy to repeat that sentiment as president Xi Jinping proudly announced a further $60 billion in funding for African countries at the 2018 Africa-China summit. While many can criticize China's engagement in Africa as debt trap diplomacy that aims to extract as much resources from Africa by inviting African governments to take out unsustainable loans, it is difficult to make an argument that traditional lenders like IMF and World Bank are any better. As a matter of fact, the IMF and World Bank have also been accused of practicing similar things and are often accused of being tools of big western countries. The IMF provides short them debt to developing countries at almost no interest. This is very inviting and it seems logical to take up the offers, but the difference between IMF and World Bank loans and Chinese loans is the conditionalities that come with the IMF's and World Bank's loans. As previously stated, China claims that its loans come with no conditions, while IMF makes it clear that for borrowing countries, they must agree to IMF conditionalities that are claimed to help countries get out of the economic slump that they found themselves in and to help them pay back the loans. However, they have been accused of making things worse and making it easier for Western corporations to come into developing countries. The idea of interfering in internal matters of a country is not something that many African leaders want. African leaders are however not blind to Chinese loans and fully understand what is at stake, and they are urging each other to use loans for good use and to take blame when they are unable to pay back loans.

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