

***China-Africa Business Initiative:  
Looking at the New Silk Road  
The Belt and Road Initiative – Re-  
shaping China-Africa Relations***

***Speaking Notes***

***Belt and Road Initiative***

- Connects ***Policy, Infrastructure, Trade, Finance and People-to-People***
- ***64 countries; 62% of world population; 30% of world GDP***
- Potential investment ***\$5 trillion = Many times Marshal Plan*** (\$120b in today's prices)
  
- ***Objective –***
- To enhance ***global clout***
- To expand ***trade and new markets*** for slowing economy
- To channel ***excess capacity***
- To facilitate ***RMB internationalization***
- To balance ***China's regional disparities***
- To balance against ***containment of China in Asia Pacific***
  
- ***Alive and kicking –***
  
- Q1-3,2018, China's trade with B&R countries exceeds ***US\$860 b, + 13.2%***.

- Chinese enterprises *US\$10.78 b direct investment, +12.3%*.
- Established *82 economic and trade cooperation zones, creating 244,000 local jobs and paying taxes and fees totaling US\$2.01 b*.
- Japan's PM Abe's visited Beijing with 500-strong business delegation, inking 30 joint infrastructural projects in the B&R Initiative, ushering "*a new era*" of *Sino-Japanese cooperation*.
- *B& R corporate governance and international standing* expected to progress as a result.

### *African promise and bottlenecks*

- Africa is the world's largest untapped *food basket*. Immensely rich in *natural resources*. Home to some *fastest growing economies*. By end century, *2 out of 5 people* on earth will be African.
- *A New African Century* is in the making. More Africans are *better educated*. A *Silicon Savannah* is taking shape.
- But Africa is inhibited by *lack of infrastructural and institutional capacity*. Rich arable land remains inaccessible. Railways, highways, bridges and power utilities are limited. *Education and technical skills* are by no means widespread.

There are still vast areas of poverty and backwardness.

***How is China's African engagement different from the West?***

- Western Aid has given Africa over a trillion dollars over many decades. But such Aid has spawned ***aid addiction*** riddled with corruption. There is ***relatively limited infrastructural and other capacity building***, especially with regional connectivity. Africa had remained backward despite such Aid.
- China's Africa engagement is largely state-directed. It is better able to come up with a ***coordinated package of aid, loans, and building of utilities, schools, hospitals, highways, railways and ports.***
- China's loans are deposited in ***escrow accounts in Beijing***, used to finance infrastructural projects. This reduces chances for local corruption. Moreover, ***Chinese managers*** often stay with their workers in a compound. Western aid officials often stay in expensive hotels.

***China's African engagement is raising many concerns***

- China is accused of ***neo-colonialism***. Poor African countries are trapped by ***Chinese debt***.

- Chinese companies bring along their workers, depriving local Africans of *job opportunities*. They do not have a good *record of treating African employees fairly*.
- There is insufficient regard to the *environment*.
- More Chinese have settled in African countries (now totaling over a million). They thrive in Africa's *informal economy* with their unparalleled Chinese supply-chain connections. As a result, much of Africa's informal economy is under threat.

### **September 2018 FOCAC**

- Even stronger *China-African Community with a Shared Future*
- *Political, Economic, Social Development. Cultural and People-to-People, Peace and Security, International Cooperation, FOCAC institution*
- *US\$50 billion + \$10 private investments*
- \$20 billion new loans + \$15 billion in two special funds + \$15 billion in aid (@ \$5 billion x 3) = *More aid and designated funds > interest-bearing loans*
- *8 Major initiatives* - industrial promotion, infrastructure connectivity, trade facilitation, green development, capacity building,

health care, people-to-people exchanges, and peace and security

- Agricultural productivity, *increase African non-resource exports, Luban Workshops – technical training, scholarships and exchange programs*
- *B&R to speed up regional integration* - e.g. Djibouti – Addis Ababa Railway (longest in Africa), Ethiopia to Red Sea+ Gulf of Eden (759 km); Mombasa to Nairobi (489 km)

*Africa must avoid the resource curse and boom-and-bust energy price cycles*

- *Sustainable linkage industries* – Botswana’s diamond cutting industries, South Africa’s extraction equipment manufacturing
- *Debt sustainability* – commodity prices boom and bust

*Africa must find its balance amidst superpower rivalry between US and China*

- *China already the world’s largest trading nation and largest manufacturer. Economy likely to become world’s largest by 2030* (HSBC, 26 Sept, 2018)
- *Trade war* a disguised 360-degree pushback against China (viewed as eating America’s lunch?)

- **Mike Pence**'s Hudson Institute Speech declared a no-holds-barred Cold War against China
- It's in China's national interest (and the rest of world) to embrace **multilateralism and free trade** in contrast to US "America First" unilateralism and protectionism.
- President Xi's advocacy of **Community of Common Destiny**.

### ***Areas for further development***

- **Corruption – Governance**
- **Extractive Industries Transparency Initiative, Equator Principles** (green finance), **Sustainable Development Goals**
- **International institutions** e.g. WB, IMF, New Development Bank, AIIB
- **Multi-modal finance** – PPP
- **RMB internationalization** – B&R projects – swap lines
- **Technology** – Silicon Savana, AI, Big Data, Block-chain
- **B&R arbitration** – land -Xian; maritime – Shenzhen; HQ – BJ; Hong Kong as arbitration hub? (Need to be affordable – e.g. existing International Centre for Settlement of Investment Disputes (ICSID) @US\$0.5 million per case)

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Beijing Summit of FOCAC  
September 2018 – *Beijing*  
*Declaration* - Toward an Even  
Stronger China-Africa Community  
with a Shared Future

*FOCAC Beijing Action Plan (2019-2021)*

- **2. Political Cooperation**
- 2.1 High-Level Visits and Dialogue
- 2.2 Consultation and Cooperation Mechanisms
- 2.3 Exchanges between Legislatures, Consultative Bodies, Political Parties and Local Governments
- 2.4 China, the African Union and Africa's Sub-regional Organizations
- **3. Economic Cooperation**
- 3.1 Agriculture, Food Security and Food Safety
- 3.2 Industry Partnering and Industrial Capacity Cooperation
- 3.3 Infrastructure Development
- 3.4 Energy and Natural Resources
- 3.5 Ocean Economy
- 3.6 Tourism
- 3.7 Investment and Economic Cooperation
- 3.8 Trade
- 3.9 Finance
- **4. Social Development Cooperation**
- 4.1 Development Cooperation
- 4.2 Medical Care and Public Health
- 4.3 Education and Human Resources
- 4.4 Sharing of Poverty Reduction Experience

- 4.5 Science and Technology Cooperation and Knowledge Sharing
- 4.6 Environmental Protection and Tackling Climate Change
- **5. Cultural and People-to-People Exchanges**
  - 5.1 Culture
  - 5.2 Press and Media
  - 5.3 Academia and Think Tanks
  - 5.4 People-to-People Exchanges
  - 5.5 Youth and Women
- **6. Peace and Security Cooperation**
  - 6.1 Military, Police and Anti-Terrorism
  - 6.2 Anti-corruption, Consular Affairs, Immigration, Judiciary and Law Enforcement
- **7. International Cooperation**
- **8. FOCAC Institutional Development**