It has become commonplace in Western media for reports about the “African indebtedness crisis” to turn into protracted exercises in China-bashing. Therefore it was only to be expected that in the aftermath of the recent G20 summit meeting in Riyadh, yet another round of similarly sanctimonious articles, op-eds and videos should come to light. Naturally enough, the fact that the G20 nations (China included) agreed on an initial proposal of debt relief to developing countries, extending up to the second half of 2021, is not viewed in such reports as a step in the right direction but, rather, as a confirmation that their claims that African countries are being crushed with debt by “irresponsible lending” were right all along.

A case in point is the piece by the otherwise circumspect German broadcaster Deutsche Welle – DW. It starts by saying that according to unnamed “critics”, the financial aid instruments employed by China in its Belt and Road Initiative (BRI) have left a number of African countries “overloaded” with debt. This could have been a perfectly ordinary journalistic approach to the subject, if the other side of the story, that is, the viewpoint of those who see merit in the Chinese initiative, was also considered at some point. Unfortunately, that was not the case.

The report opens by stating that the railway link in Kenya between the capital Nairobi and the coastal town of Mombasa – entirely financed and built by China – “has been called the road to nowhere.” This derogatory epithet is offered to the public without any explanation or justification concerning its origin and validity, and the piece never mentions that Mombasa happens to be one of
Kenya’s main tourist hubs. Interestingly enough, the report does mention that it is a port city, which in and of itself seems to negate the “road to nowhere” jibe since, in terms of simple logistics, building a railway between a country’s landlocked capital city and its coast is not usually considered as a particularly odd endeavour.

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What is perhaps the most outstanding feature, not only of this particular piece, but also of an important portion of mainstream media coverage about BRI in Africa, is the obvious one-sidedness of the arguments. DW’s report, for one, focuses on the amount of loans given to African countries - a total mentioned as being of around US$ 100 billion, but which in reality is now closer to US$ 145 billion - in an attempt to stress how large a burden it is, and then proceed to use language such as “countries crippled under the weight of the money they owe to China” or “Africa’s unsustainable debt load.”

Yet the proverbial (and, in this case, geographically apt) elephant in the room is never really addressed: how is all this changing life for Africans? What is the money being used for? As it turns out, all of the resources mobilised under BRI partnerships are being used to put in place large infrastructure projects, a key, concrete factor that, historically, has hindered Africa’s efforts in search of social and economic development at every turn. Right from the start, when it endorses the view that the railway linking Kenya’s capital to its main port is a “road to nowhere,” DW’s report already lets us know that it will not address the issue of why - or if - US$ 145 billion in infrastructure projects can make a decisive difference to Africa’s future development and prosperity.

From 2008 onwards, in the years following beginning of what has become known as “the Great Recession,” Western commentators were for once forced to acknowledge the existence of the Wall St. self-delusion bubble, inside which twenty-somethings running convoluted but unrealistic mathematical models in credit-rating agencies validated the market value of soon-to-be-bankrupt financial institutions, while flagging as dire risks the economies of countries that would eventually emerge unscathed from the New-York-London-made mess.

Today, ten years after, the pendulum swung back fully, as the media once more adopts the financiers’ outdated algorithm as the yardstick for everything under the sun: next quarter’s profits. That is the thinking behind yet another sobriquet given early on by the DW piece to the Kenyan railway, to wit, that of a “money-losing” initiative. The concept that an infrastructure project implemented by two sovereign governments under the aegis of a G-to-G agreement can have any other nature than that of a “money-making” venture is entirely alien to this logic. Long-term and strategic considerations are seldom, if ever, factored in; and, clearly, real-world impacts and legacies have no place in the model. Outside of this slanted and narrow analytical perspective, the selective blindness concerning the transformative impacts that US$ 145 billion in roads, power transmission lines, railways, hospitals and power generation plants will have in an impoverished continent such as Africa simply cannot be accounted for.

Of course, the relationship between creditors and debtors in international finance is never a one-dimensional one, and can be potentially “crippling”. What happened in Argentina in recent years provides us with just such an example. Having struggled for a long time before finally managing to repay the IMF in 2005, Argentina saw its foreign debt explode to a record level - even in emerging economies’ terms - in the wake of the election of Mauricio Macri as the country’s president in late 2015.
Over 90% of Chinese loans to Africa were allocated to transport, power, water, health, education and other social infrastructure.

The new government quickly introduced strong exchange deregulation policies, whose immediate effect was an increase in capital flight, allowing wealthy Argentinians and financial institutions operating in the South American country to transfer increasingly large funds abroad. As international conditions deteriorated, the carry trade circuit that was bringing speculative capital inflows to Argentina was disrupted, giving rise to a steep balance-of-payments crisis that would only be partially abated in June 2018, when the IMF agreed to extend the country a US$ 50 billion stand-by loan – the largest one in the institution’s history.

The policies adopted by the Macri government and the consequent return of his country to IMF dependency become all the more egregious when one considers the strong political rejection of the Fund’s oversight of their economy on the part of public opinion. Yet, no outcry over this toxic surge in Argentinian indebtedness – or over the government measures that were directly responsible for it – arose in the international media back then. One is led to wonder whether this would have been the case if Argentina’s creditor was China.

It is worth noting, however, that the reason Argentina was effectively “crippled” by its foreign debt is twofold. First, the political leadership decided of their own accord to enable financial speculators to move assets freely out of the country when official international reserves were at historically low levels. Second, after Argentina “stormed back to the international capital markets” – as ‘Euromoney’ glowingly reported at the time – there was no addition the country’s productive capacity nor to its infrastructure to show for all the voluminous new debt.

One would be hard-pressed to draw any meaningful parallels between the Argentinean situation and that of Africa’s debt to China. To begin with, BRI projects in Africa are being carried out under diverse circumstances in a number of different countries. As a result, the sort of wholesale criticism often found in Western media concerning those projects tend to make use of sweeping generalisations that bear little relation to actual facts. Indeed, given that the exact terms of financial contracts with the Chinese are seldom disclosed, in almost every case inferences surmising that those conditions must be “crippling” and unfavourable ones say more about the bias of their authors than about the reality of the situation in Africa.

From a strictly financial point of view, both the present availability of foreign exchange reserves and the prospect of future export growth differ considerably among the African countries involved. Also – and crucially – BRI loans are of a fundamentally different nature from Argentina’s mainly short-term debt, since the former typically have considerable grace periods and very long maturities. Last but not least, all debt associated with BRI projects will, by definition, produce permanent legacies in terms of adding to the infrastructure of the countries. This means that, given the nature of the projects being carried out on the ground in Africa through the partnership with China, in future Africans will find themselves, unlike Argentina at the end of its debt cycle, in possession of at least US$ 145 billion worth of fundamental infrastructure they previously lacked.

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The analysis of the Argentinean case suggests that any lasting harmful effects to African countries will greatly depend on the extent to which present-day and future African leaders decide to accept
detrimental terms in their dealings with China, on the one hand; and whether China’s leaders will seek to use their power as creditors to chew up and spit out their BRI partners in pursuit of immediate profit, leaving them to cope with long-term, structural crises as they move on to greener pastures.

This scenario is undoubtedly reminiscent of what Western creditors did in developing countries, repeatedly, over the past fifty years. So much so, in fact, that having Western media now ascribe this conduct to China looks suspiciously like a case of projecting one’s own faults onto others. So far, however, the Chinese have not given any indication that they might leave unfinished the crucial projects they are engaged in internationally on account of financial difficulties. Neither seem they likely to seek to impose IMF-like conditionalities leading to “austerity” and stagnation in debtor countries.

After considering China’s long-term approach to economic and social development, even the most ungenerous critics of the Asian country’s international partnerships strategy will probably concede that the idea that, in case of loan defaults, they would compromise the credibility of the Belt and Road Initiative around the world through depriving Africa of the expressways, public buildings and hydropower plants they are helping to put up, is more than a little far-fetched. And stark warnings about the negative consequences of some fifty countries underwriting a grand total of US$ 145 billion in long-term debt for infrastructure investment, ring particularly hollow when coming from those who, not five years ago, could not praise highly enough the policies that drove a single country to increase its foreign debt by more than US$ 110 billion in exchange for, precisely, nothing at all.

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