China’s BRI in Sub-Saharan Africa Raises Concern About Possible Debt-Trap Diplomacy

Thank you for reading the Maxar Spotlight, the monthly geospatial intelligence periodical from Maxar.

Each issue provides an in-depth look at a strategically important region of the world—demonstrating Maxar’s ability to provide solutions to the world’s most challenging geospatial problems.
China’s expanding presence and influence can be seen throughout sub-Saharan Africa. Since the implementation of its series of global, interlocking infrastructure projects known collectively as the Belt and Road Initiative (BRI), China has provided $87 billion in loans to sub-Saharan Africa. Although the United States is still Africa’s largest “donor,” China is now the region’s largest creditor and trading partner.

According to a report by the Population Reference Bureau, sub-Saharan Africa will record the world’s largest population growth over the next thirty years. It is also the poorest region in the world, with the dubious distinction of having both the lowest human capital ranking (according to the World Bank) and the lowest global competitiveness score (per the World Economic Forum).

Considering that infrastructure development is critical to fostering growth and productivity, China’s BRI efforts stand to benefit many—including its host countries and the US. But there are growing concerns about China’s procurement tactics and operational policies, as well as speculative “debt-trap diplomacy” as the end goal.

Understanding the pace of foreign investment and infrastructure development can help inform local and regional governing bodies, and can provide a holistic and forward-looking perspective of global Chinese economic and political maneuvering. This publication will examine Chinese lending and development in sub-Saharan Africa and provide a baseline evaluation of countries with high-risk debt.

**SUMMARY OF UNIQUE TOOLS & APPLICATIONS**

**Human Landscape**
Maxar’s Human Landscape is a foundational human geography dataset that provides rich attribution and metadata at the country-scale. Maxar leverages high-resolution satellite imagery to significantly enrich thousands of publicly available and conflated data sources. Each dataset comprises 60+ individual data layers across thirteen standard human geography themes.

Maxar’s Human Landscape datasets reduce operating costs and accelerate time-to-mission for complex geospatial analysis or geospatial taskings by providing up-to-date and analysis-ready foundational data. For this study, Human Landscape was used to map transportation, natural resources and foreign investment data in Zambia.

**Satellite Imagery**
Maxar’s sophisticated constellation of earth imaging satellites provide invaluable insight into restrictive and war-ravaged areas around the world, delivering the highest commercially available resolution, spectral diversity and geolocation accuracy.
China’s Belt and Road Initiative

Concerns with China’s aggressive lending in Africa stem from the assertion that it is intentionally over-burdening countries with debt in order to seize strategic positions or critical assets. Supporters of this perspective cite Sri Lanka’s Hambantota Port as an example.

With ambitious plans to develop Sri Lanka’s southern districts and small fishing towns by building a port and other infrastructure, former Sri Lanka President Mahinda Rajapaksa (2005-2015) was enticed by generous lending— as well as political donations from China. Rajapaksa accepted China’s loans despite high interest rates, poor feasibility studies and other bleak economic prospects. By the time Rajapaksa left office in 2015, over 90% of the country’s revenue was allocated to interest and debt repayments.

As part of its debt renegotiations with China, Sri Lanka agreed to give the Hambantota Port to China for a lease term of 99 years. While the exchange appears to offer little economic prospects, it gives China control over a port along critical shipping lanes and within close proximity to India—a strong rival and objector to its BRI efforts.

China’s Belt and Road Initiative (BRI) Routes

Hambantota Port

Maritime Silk Road
Silk Road Economic Belt
Sub Saharan Africa
Hambantota Port
Significant Ports in Sub Saharan Africa (Existing/Planned/In Construction)
CHINA’S TRANSPORTATION INVESTMENTS AND STRONG TRADING RELATIONSHIP WITH SUB SAHARAN AFRICA

According to John Hopkins University and the China Africa Research Initiative (CARI), 33% of China’s lending to sub-Saharan Africa has been allocated to the transportation sector. This percentage highlights the significance of China’s infrastructure investments and recent BRI push.

Between 2013 and 2017, Angola, Ethiopia, Kenya, Zambia and Republic of the Congo were the top five recipients of Chinese loans into sub-Saharan Africa. They are also among the region’s leading debtors to China.

In September 2018, 53 African countries attended a summit on China-Africa cooperation. During the summit, Chinese President Xi Jinping promised an additional $60 billion in financing for sub-Saharan projects.

TOP RECIPIENTS OF CHINESE LOANS IN SUB-SAHARAN AFRICA, 2013-2017 (CARI)

MAJOR CHINESE LOANS FOR TRANSPORTATION IN SUB-SAHARAN AFRICA, 2013-2017 (CARI)

LEADING DEBTORS TO CHINA
The State Council Information Office of the People’s Republic of China released its first ever military strategy white paper in May 2015. The paper outlined a shift in maritime strategy from a “near seas control” doctrine original stated in 2004 to a more global doctrine described as “Near Seas Defense, Far Seas Protection.” This change reflects, in part, China’s economic dependency on foreign trade and energy imports to support its rapidly growing economy of recent years.

A number of academics downplay China’s lending in Africa as a means to exploit developing countries for geopolitical and security gains because of China’s need to bolster trade and maintain economic growth. Data does support the notion that China’s strategy in Africa is aimed squarely at gaining access to emerging markets and reducing costs of international trade.

China maintains a significant presence and strong trading relationship with many of the countries that have received substantial loans. Angola, South Africa, Republic of the Congo, Democratic Republic of Congo and Zambia are the top five exporters to China across sub-Saharan Africa. In terms of importing from China, South Africa, Nigeria, Kenya and Ethiopia are among its strongest trading partners.
Analysis of Maxar’s Human Landscape dataset for Zambia demonstrates how transportation investments are being used to strategically access precious metals and mines, a number of which are operated by China. Zambia is the region’s second largest copper producer, having recently been surpassed by the Democratic Republic of Congo. Development of important transportation corridors will improve Zambia’s trade efficiency, and (in the case of rail improvements) expedite the transfer of mined materials to key ports in neighboring countries. There are also reports that China is interested in acquiring control over additional mines from other foreign investors and even the Zambian government, which still maintains a significant stake in all mines throughout the country.

**HUMAN LANDSCAPE TRANSPORTATION, NATURAL RESOURCES AND FOREIGN INVESTMENT DATA**

China Nonferrous Mining Corporation Limited (CNMC) is one of the primary Chinese state-owned enterprises involved in the BRI project in Africa. In Zambia, CNMC oversees operations for multiple other Chinese companies in engineering, mineral extraction, and technology services. Of the recent road improvement projects annotated above, four additional Chinese companies were identified: China Henan International Cooperation Group (CHICO), China CAMC Engineering, China Jiangxi Corporation for International Economic and Technical Cooperation, and China Civil Engineering Construction Company (CCCC). According to the data from China’s Ministry of Commerce, there are approximately 200 Chinese firms operating in Zambia. However, field surveys in 2016 and 2017 by McKinsey & Company identified nearly 900 Chinese firms in Zambia.
Lending becomes a problem when it does not result in a corresponding level of economic growth. A number of economic issues have plagued the top recipients of Chinese loans in recent years. In particular, public debt, currency depreciation and fluctuations in commodity prices have stymied growth.

Although there are positive economic signs for sub-Saharan Africa, debt continues to outpace growth. Many of the countries with substantial Chinese debt have poor debt-to-GDP ratios, which is a warning that a country could encounter debt distress and have difficulty making repayment obligations.

Of the countries in sub-Saharan Africa that are considered at high-risk of debt distress, China is the majority debt holder in three: Djibouti, Republic of the Congo and Zambia. Chinese loans account for 80% of all public debt in Djibouti and reportedly more than half of all public debt in Zambia.

With a plummeting GDP growth rate and overly aggressive borrowing, Djibouti presents the greatest risk of default on its Chinese-held debt. It also most closely resembles the case of Sri Lanka because of its strategic location along the Bab-el-Mandeb Strait, which facilitates the maritime movement of about 4% of the world’s oil supply—and, importantly, half of China’s oil imports.

**Vulnerability to Commodity Price Flux**
(World Bank)

**2017 DEBT-TO-GDP RATIO**

Debt as % of GDP
- 0-10%
- 10-30%
- 30-50%
- 50-75%
- 75-110%

**2017 CHINESE LOANS TO GDP (CARI)**

Loans as % of GDP
- 0-5%
- 5-10%
- 10-20%
- 20-50%
- 50-75%
In November of 2015, China announced its intentions to build its first overseas military base in the African country of Djibouti. Following negotiations, China agreed to lease the land for 50 years and built the base at a reported cost of $590 million USD. The People’s Liberation Army Navy (PLAN) military base in Djibouti is ideally placed to fulfill China’s “Far Seas Protection” operations in the region, which currently center around ensuring open sea lanes and conducting anti-piracy operations. Reports suggest that the base could house a sizable expeditionary force, which could be used to respond to any crisis threatening China’s numerous economic and commercial interests in Africa.

At the very least, the new Chinese base provides an avenue to surveil and possibly interfere with its number one strategic rival: the United States. Just a few miles away sits Camp Lemonnier, the United States’ only permanent base on the continent. Camp Lemonnier is a critical hub for regional combat readiness, counterterrorism and intelligence efforts, and is crucial to the security of United States assets and personnel moving through the region. There have already been reports of Chinese personnel interfering with flights and operations at Camp Lemonnier.

There is also growing concern that Djibouti may face pressure to hand over critical infrastructure to China. According to a May 2018 letter from US Senators and Senate Armed Services Committee members James Inhofe and Martin Heinrich to US National Security Advisor John Bolton, Djiboutian President Ismail Omar Guelleh exhibits a willingness to sell his country to the highest bidder.
“WHAT WAS ONCE CONSIDERED A STABLE U.S. STRATEGIC PARTNER, SECURITY EXPERTS AND ECONOMISTS NOW WARN IS A COUNTRY IRREVOCABLY FALLING UNDER THE CONTROL OF AN ASCENDANT CHINA.”

JAMES INHOFE & MARTIN HEINRICHS
UNITED STATES SENATORS
The building of a dedicated military docking facility began with the construction of an approximately 550 meter causeway extending from the western shoreline of the military base. Regular dredging and caisson filling activity has been observed in satellite imagery since May 2018. As of May 5, 2019, at least 12 seafloor-mounted caissons are in place, with additional pier supports and deck beams constructed over the first 6 caissons.

Reporting indicates the pier will eventually extend 330+ meters from the causeway—into waters deep enough to allow for the docking of all Chinese PLAN vessels.
CONCLUSION

China specifically addressed global concerns about its BRI efforts at April 2019’s Belt and Road Forum in Beijing. Chinese leaders emphasized their commitment to transparency, sustainable financial management and cooperative debt resolution. It is overly simplistic to label China’s BRI efforts as conclusive examples of debt-trap diplomacy, since the bulk of China’s infrastructure development in sub-Saharan Africa does stand to improve international trade and the economic prospects of the world’s fastest-growing region.

There are, however, individual cases of debt-trapping that are hard to refute, and there is no doubt that current Chinese lending practices risk overburdening multiple countries. In Zambia, there are reports that China is preparing to take over the national power and utility company in order to collect on outstanding and mounting debt. And in Djibouti, a country with no natural resources which was once a reliable partner to the United States, China’s financial arrangements and possible debt resolution measures are likely to complicate US regional operations and influence.

With the industry’s most accurate and reliable high-resolution satellite imagery and capabilities like Persistent Change Monitoring (PCM) and our Human Landscape datasets, Maxar is uniquely positioned to track and quantify China’s expanding investments in sub-Saharan Africa. Our government and commercial partners trust us to help them analyze recent developments and maintain (or regain) the advantage.

“WHEREVER THERE IS CHINESE BUSINESS, WARSHIPS WILL HAVE A TRANSPORTATION SUPPORT POINT.”

DENG XIANWU
COMMANDING OFFICER, CHANGBAISHAN
PEOPLE’S LIBERATION ARMY NAVY
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