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# China and East- and North Africa

## A Brief Introduction to the Belt and Road Initiative

This teaching material has been made at the University of Szeged,  
and supported by the European Union. Project identity number:  
EFOP-3.4.3-16-2016-00014

**SZÉCHENYI 2020** 



HUNGARIAN  
GOVERNMENT

**European Union**  
European Social  
Fund



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**Estimated reading time:**

**18-20 minutes**

**Estimated learning time:**

**45-50 minutes**

## **Class IX: China and East- and North Africa**

### **Summary**

This course gives a glimpse on the relationship between the People's Republic of China and its most important African partners. Egypt, Kenya and Djibouti. These three countries' significance is explored in detail.

### **Topics of the class include:**

- Detailed description of Egypt's position in the BRI
- Kenya's importance is explained
- Djibouti's strategic role in the BRI

## China and Africa

The Belt and Road Initiative focuses on East African countries, most in or next to the Horn of Africa, namely, Kenya, Egypt, Djibouti, Tanzania, and Ethiopia. Out of these Egypt, Kenya and Djibouti are the most important and we will be focusing on these countries. Although we have to add that other African countries are also trying to be (or are already) a part of the Initiative or even if they are not, at least they have joined to the AIIB (such as, the Republic of Sudan, the Republic of South Africa, Guinea, Tunisia and the Ivory Coast). However, there is a good chance that BRI projects may extend to other countries as well as **most of the African countries are in dire need of foreign direct investments and they receive a relatively small amount from Western countries and/or companies**. So, their advancement and development (and the pace of it) currently very much depends on the money the People's Republic of China is willing to invest into them.

There are two main reasons as to why China is so eager to invest hundreds of billions of dollars in Africa, which honestly in itself is a huge risk (issues of stability, legitimacy, extremism and so on). One is the question of **raw materials**: the African continent has huge deposits of valuable minerals, oil and natural gas and the industry around them really needs capital influx – which China is more than happy to make. The other one, maybe even more important than securing raw materials, is the areas affected by the BRI has **strategic importance**: the 21<sup>st</sup> Century Maritime Silk Road touches the Eastern and Northern African countries and so they are vital for the question of transportation. Out of these countries, we have to highlight the role of two: one being Djibouti and the other being Egypt. Both are crucial for their geographical locations.

**Many scholars believe that the focus of the BRI will be moved from East African countries to the central parts of the continent and it will aim to connect countries located in the middle of Africa to the Eastern African ones.** The goal is to take the raw materials and resources from the center to the Eastern ports where they can be moved back to China via the 21<sup>st</sup> Century Maritime Silkroad.

## Egypt

History between Egypt and China does not go back a long way. There are multiple reasons for this (British influence, Chinese civil war and so on) we will not elaborate this. What is important, however, is that the first official meeting between leaders of the two countries happened in 1955 during the Bandung conference. Here Egyptian President Gamal Abdel Nasser met the Premier of the People's Republic of China Zhou Enlai. During the Suez Crisis, the PRC provided both military equipment and “volunteers” to Egypt. In 1971 **Egypt voted in the UN in favor of China to have a permanent seat instead of Taiwan**. As a possible consequence after the aftermath of the Yom Kippur War in 1973 China supported Egypt with food and economic aid. So, it is safe to say that **since Egypt and China established diplomatic relations, their friendship has developed rapidly**.



1. Picture: Map of Egypt. Source: The World Factbook 2020. Washington, DC: Central Intelligence Agency, 2020. Available at: <https://www.cia.gov/library/publications/the-world-factbook/attachments/maps/EG-map.jpg>

Egypt is quite possibly the single most important country for the 21<sup>st</sup> Century Maritime Silkroad simply because without it the MSR could not work. The reason for this is the Suez Canal. This canal regulates the transit and transportation of ships (from middle sized to giant tankers and huge container ships) between the Mediterranean Sea (and thus Europe) and the Indian Ocean (which means Africa and Asia). Global transportation is dependent on the Suez Canal (obviously ships could circumvent Africa but that would add a huge amount of time to the transportation and enormous extra costs). So, it is no wonder that the People's Republic of China sought out Egypt as soon as possible after the announcement of the Belt and Road Initiative.

Furthermore, the first African country that signed the first Memorandum of Understanding with China regarding its participation in the BRI was Egypt.

As an "incentive" to join, the Egyptian Central Bank received 1 billion USD and the Egyptian National Bank a 700 million USD loan. Separately, they also received capital for the expansion of the Suez Canal over a 10-year long period. Additionally, money was lent to build a new administrative capital for Egypt at Ismailia with a total cost of around 45

billion USD. Furthermore, there are plans to build new factories, refineries and solar power plants.

The expansion of the Suez Canal was begun in 2014 and according to plans it would have taken three years to be completed. This expansion is the construction of another “water lane”. The importance of this is enormous as previously traffic could only go one way at a time and the crossing took around 18 hours. That means that ships on the other side had to wait for their turns to go to the opposite direction. With the addition of the new lane traffic can go both ways, effectively halving the transportation / pause time. What is truly amazing is that the construction was completed in twelve months. So, **since the end of 2015 the traffic of the Suez Canal is practically doubled**, which increased the annual income of it from 5.3 billion USD to 13 billion USD. However, upgrading does not stop here as there are plans to expand the Canal even further.

Obviously, along with the expansion of the Canal (or as a consequence to that) BRI is expected to create thousands of jobs for Egyptians. You might ask, how come in the case of Egypt the construction and development are not (only) done by Chinese workers? The question is valid. First of all, Egyptians have a lot of experience regarding the operation of the Canal, so they can learn it from previous operators, there is no need to import “experts”. Secondly, Egypt’s importance is crucial for the success of the BRI, therefore China does not do anything that might even a little turn the local population against it. **Also, apart from the permissive politics of Beijing it is easy to see that the amount of money used regarding this project is not usual even by the BRI standards. China invests a lot more money in Egypt than it necessarily needs to improve transportation and infrastructure.** The reason for this is simple: although most operators and workers will not be Chinese on the low level, still Chinese companies (who helped build the new lane) will have a substantial amount of influence on the operating of the Suez Canal. This means that the People’s Republic of China will have tremendous effect on the Canal, even if it does not control it directly. As a result, **the PRC will have effect on the energy sector worldwide and security dynamics as it will gain a huge strategic boost.** In accordance with the latter it is an interesting fact that the US Navy has a privilege on the usage of the Suez Canal. That means that if some warships – or even carriers – needs to be deployed somewhere and they have to cross the Suez Canal, all ongoing traffic will be stopped to let the naval ships cross. With an indirect Chinese influence that could change, which in turn can have serious consequences as the enmity between China and the United States increases. Then again Egypt could be a possible help between the two parties to better their relations.

Also, Egypt could be a key player, with the help of China more easily, to ensure regional stability and security in Northern Africa, and later on, throughout the continent. Under the framework of BRI, China could cooperate with Egypt to improve the quality of life in Africa, advance sanitizing, help with the lack of wood by developing agriculture and through it reducing poverty and increasing life expectancy.

## Kenya

**China's relationship with Kenya goes a long way back as there was ongoing bilateral trade between the two countries by the 15<sup>th</sup> century.** But, this trade has been gradually withered since the Ming dynasty's edict to isolate China from the rest of the world. Still the connection between the two countries is given and these historic roots helped to "jumpstart" the cooperation within the Belt and Road Initiative framework.



2. Picture. Map of Kenya. Source: The World Factbook 2020. Washington, DC: Central Intelligence Agency, 2020. Available at: <https://www.cia.gov/library/publications/the-world-factbook/attachments/maps/KE-map.jpg>

**If there is one country that the BRI affected absolutely positively (so far) that is Kenya.** Before the announcement of the Initiative (2013), Kenya's GDP was 55 billion USD – which is not too good, especially compared to the size of the country. For example, Egypt's GDP in the same year was 288 billion USD. However, after the announcement (and obviously after the investment started to increase in the country) Kenya's GDP started to increase rapidly. By 2019 95 billion USD which is around 57 percent increase in 6 years and that is astounding!

There are 3 projects that are the key points in Kenya regarding the BRI. **Nairobi, Kenya's capital city, Mombasa, which is a large port by East African standards and Lamu another port city.** Nairobi is a central point as the capital of the country as many



infrastructural development plans concern it, not to mention that most (planned) **railways and highways either end at Nairobi or touches it at some point, thus making it a trade hub and a distribution center of raw materials** (which are most of the time transported to the port cities). The railways and highways not just connect **Nairobi** to other cities inside Kenya, but to other countries: the completion of the transportation project in the country is expected to link it with Ethiopia, South Sudan, the Democratic Republic of Congo, Uganda, Burundi, and Rwanda, thus making it **a transportation center for Eastern Africa, boosting international and continental trade and creating new opportunities for multiple countries**. The Nairobi-Mombasa railway, which opened in June 2017 at an estimated cost of more than 3 billion USD drastically improved transportation time between the capital and the port city – not to mention that the magnitude of transportable cargo increased tenfold. Furthermore, pipelines from Uganda are also being built to facilitate crude oil transportation to Mombasa. The estimated cost of the infrastructural development to and around Nairobi with the completion of the standard gauge railway in Kenya (and onto the neighboring countries) is 25 billion USD.

Additional project in the BRI is the expansion of the **port of Lamu**. This is an interesting endeavor because the first three berths need to be constructed by the Kenyan government using their own money, with an estimated cost of half a billion USD. After that is finished Chinese investors will step in within the BRI framework and will build 29 additional berths for a total estimated cost of 5.5 billion USD. Other sources estimate the total cost of the project with additional infrastructural elements, such as warehouses, facilities and so on to be around 27 billion USD. So far, one berth is completed, and the two other government financed ones are expected to be ready by the end of 2020 (although with the COVID-19 it is quite possible it will not be finished on time).

**When finished, a standard gauge railway will connect it to Ethiopia and South Sudan. Moreover, new pipelines are planned to be built to transfer oil from those countries to Lamu port for an estimated cost of 4 billion USD. This is very important for South Sudan as well, since because of the conflict with Sudan it cannot trade its oil with China (and other faraway foreign countries), the reason being South Sudan is landlocked. So, with the new railway and pipeline it will have an indirect connection to the sea.**

The newly planned Kenyan route therefore offers an opportunity for South Sudan to export its oil to China, a win-win situation for both countries. Additionally, the infrastructural development in Kenya is also favorable for China because of the fresh discovery of oil fields in Northern Uganda. This gives China the chance to diversify its sources of import. **Uganda will be able to do the same as South Sudan: export oil through Kenya, because Uganda is landlocked too.** Although the costs seem to be very high with the Kenyan projects underway, China has secured the opportunity to venture further west with the BRI, and also getting a strategic port (or two if Lamu will be finished).

Even though there are a lot of plans to modernize Kenya, and especially its infrastructure, the cooperation regarding these developments are unclear as there are no clear bilateral agreements between Kenya and China regarding the individual projects. **Obviously, the aforementioned projects are way too expensive for Kenya to be able to finance alone so it definitely needs BRI money. For this reason, they might be a bit more permissive regarding concrete agreements.**

## Djibouti

**Djibouti, a developing country in the Horn of Africa, is particularly interesting for China, but not necessarily in the framework of the Belt and Road Initiative. Instead, because the small country is very important for China it expands the BRI to include it (even though there are no real economic reasons for it).**



3. Picture. Map of Djibouti. Source: The World Factbook 2020. Washington, DC: Central Intelligence Agency, 2020. Available at: <https://www.cia.gov/library/publications/the-world-factbook/attachments/maps/DJ-map.jpg>

Djibouti is located where the Red Sea and the Gulf of Aden connect to each other, at the Bab al-Mandab Strait. Roughly 30 percent of the world's global sea shipping goes through here, using this strait which makes the region extremely important. So, although the country is not rich in minerals, it barely has raw materials in measurable quantities, it has one thing that is even more important: strategic location. In 2015 negotiations started regarding the opening of a Chinese built and operated port. The parties reached an



agreement **in 2016. The People's Republic of China received the authorization to build the port which was in fact a naval base for the People's Liberation Army Navy.** The base was completed by the summer of 2017 (estimated cost: 590 million USD). The interesting thing about it is that there are multiple other naval bases in Djibouti: American, French and Japan bases (which are located not very far from each other).

The significance of this base is tremendous as that is the first military establishment of the PRC that is located outside of Mainland China. **Officially this Chinese naval facility was built so the Chinese Navy and Army can participate in the peacekeeping mission regarding Sudan and South Sudan and to ensure the security of the 21<sup>st</sup> Century Maritime Silkroad** by patrolling the waters around the Horn of Africa, scaring (mostly Somalian) pirates with the presence of warships. **This would be a valid reason for the base, but there are already numerous warships patrolling the area against the same pirates.** An additional interesting fact is that a new large pier was built in mid-2018 for the naval base. A pier large enough so that the newly built Chinese Aircraft Carriers can dock (and maintenance work can be done on them). It is a bit contradictory with the official purpose of the base: Aircraft Carriers against pirates are a little bit overkill.

Obviously, this base can be used as a starting point for potential missions in the region as Chinese ships could give a quick response to emergency situations in the Middle-East and East- and North Africa. Looking at the 21<sup>st</sup> Century Maritime Silkroad (and China's growing interest in Egypt, especially in the Suez Canal) it was a logical move from the PRC. But **it still gives the impression that China wants more saying in global security and will (in this case directly) increase its influence on areas that are considered vital for them. This is perceived by the West as a potential threat - especially since the so-called trade-war between the United States and the PRC has started.**

So, we now know the reason why Djibouti is important for China but how does the Belt and Road Initiative affect the small African country?

There are some infrastructure **projects in Djibouti that is financed in the BRI framework. The most important being a new water pipeline that connects Ethiopia to Djibouti as the latter has a very small amount of fresh water** and water contamination is a serious problem (no adequate cleaning system in place). The estimated cost for this is 300 million USD. Furthermore, a new (and partially modernized existing) railway is also designed between Ethiopia and Djibouti: the length will be 752km with an estimated cost of 4 billion USD. The small African country hopes that the infrastructural modernization would enable it to connect to other East African countries. And if China's plan to facilitate continental trade and transportation is successful that could mean that Djibouti could participate in the transit trade by using its own railways to take cargo to its ports.

**Questions for Self-Checking:**

Why does the PRC act very carefully regarding the BRI – and its principles – when it comes to Egypt?

Djibouti is not a country that would normally be valid for participating in the BRI, yet China still includes the country in it. What is the reason for it?

Kenya is one of the countries that could profit the biggest from the BRI. What are the reasons?