A Trap or A Way: A Study on The Loans from China to Sub-Saharan Africa

A Research Paper presented by:

LIANG JIAXIN
(China)

in partial fulfillment of the requirements for obtaining the degree of
MASTER OF ARTS IN DEVELOPMENT STUDIES

Major:

ECONOMICS OF DEVELOPMENT
(ACRONYM)

Members of the Examining Committee:

DR. HOWARD NICHOLAS
DR. ZEMZEM SHIGUTE

The Hague, The Netherlands

Disclaimer:

This document represents part of the author's study programme while at the International Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

Inquiries:

International Institute of Social Studies
P.O. Box 29776
2502 LT The Hague
The Netherlands

t: +31 70 426 0460
e: info@iss.nl
w: www.iss.nl
fb: http://www.facebook.com/iss.nl
twitter: @issnl

Location:

Kortenaerkade 12
2518 AX The Hague
The Netherlands

Contents

List of Map

List of Tables

List of Figures

List of Acronyms

BoP	Balance of Payment
CARI	China Africa Research Initiative
CDB	China Development Bank
Eximbank	China Export-Import Bank
FDI	Foreign Direct Investment
HIPC	Heavy Indebt Poor Countries
IMF	International Monetary Fund
SSA	Sub-Saharan Africa
WB	World Bank

Abstract

This study applied some datasets extracted from various sources to explore is Chinese oversea financing in SSA a trap or an opportunity for the regional economic growth of the nations in that region. The study discussed this question by exploring the external debt stocks components of SSA and analysing the major debt creditors in SSA from 2008 to 2018. The study found that China is not the biggest debtor in SSA and Chinese loans in SSA are mainly allocated in infrastructure. What is more, Chinese oversea financing insists the mutual principle without a condition attached, which also comes with longer maturity and competitive rate. The research concludes that loans from China to SSA is an opportunity for the regional nations to spur their economic growth, since such loans complement what those countries' economic development is thirsty for.

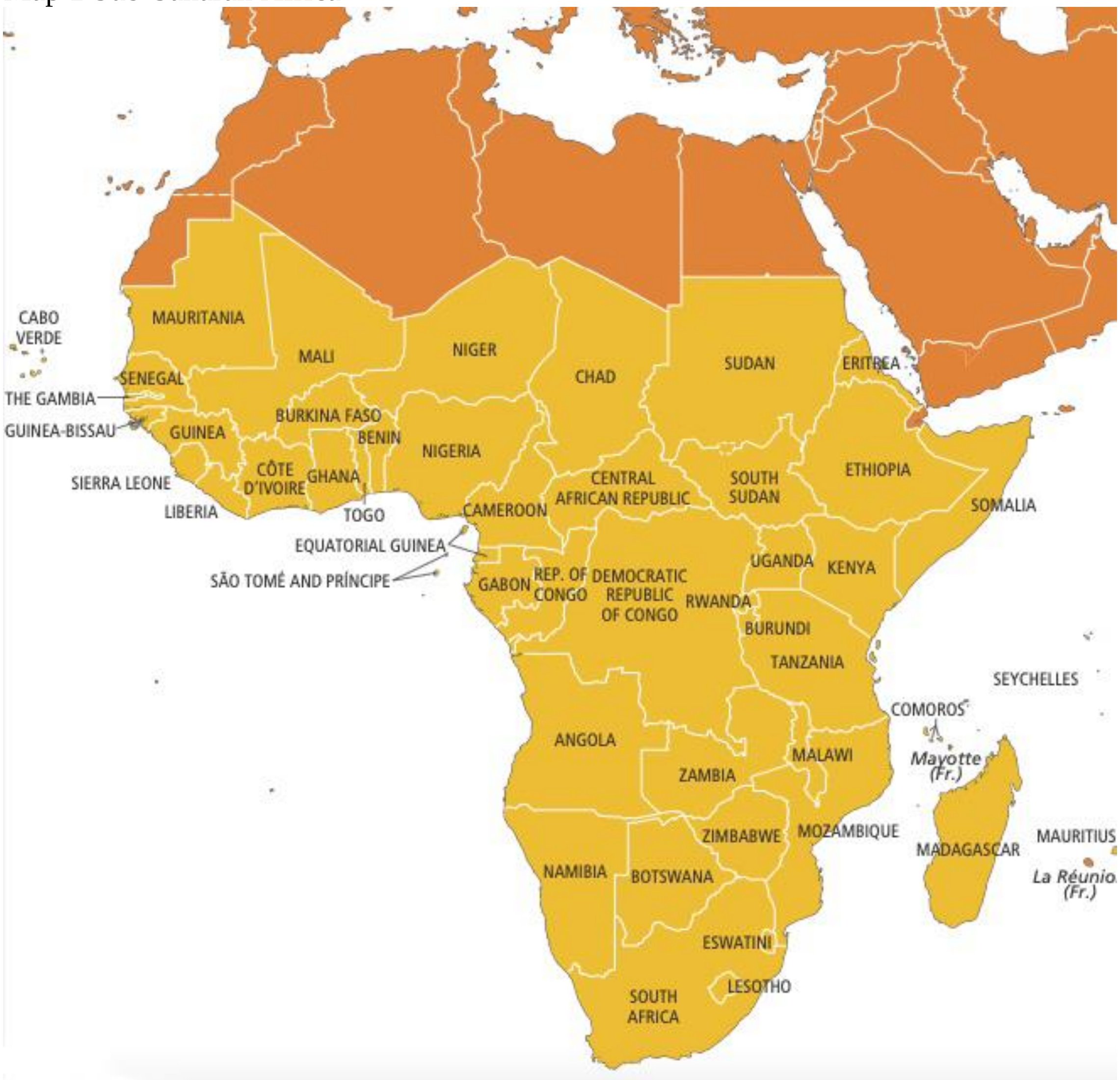
Relevance to Development Studies

The economic growth of SSA is always a focus in the public, the indebtedness distresses the economic development of the region, especially during the period of global economic slowdown. As an emergent market in the developing world, sufficient policies are called for its economic reform. To figure out the policies, SSA nations should look deep into the cause of its economic stagnation. The study discussed the obstacles of the economic growth in SSA, and the role China loan plays in SSA. The findings of this research are expected to contribute to provide some evidence to demonstrate that Chinese financial engagement in SSA is an opportunity for the regional economic growth and provide a different prospective to the policy makers of SSA nations.

KEYWORDS

China, Sub-Saharan Africa, loan, infrastructure, debt trap, economic growth

Map 1 Sub-Saharan Africa



Source: IBRD

Chapter 1 Introduction

1.1 Background

Thirty out of thirty-nine heavy indebted countries (HIPCs) are from Sub-Saharan Africa, they are potentially eligible to receive write-off loans (IMF, 2020). The rising public debt in Sub-Saharan Africa has been a controversial debate around the world. This research will examine the rising debts in Sub-Saharan Africa with a focus on loans from China to Sub-Saharan Africa. China's re-emergence in Africa since 1980s has attracted the world-wide attention, loans from China to Africa captured an upward trend, with the number from 0.2 million dollars in 2000 to 21.8 million dollars in 2014 (AidData 2017), what is more, China's President Xi Jinping pledged an investment of $ 60 billion to finance Africa in the 6th Forum on China-Africa Cooperation. China's overseas lending in Africa caused a controversy in the public.

An article published in New Delhi Times (2018) argued that China's overseas lending to Africa is a diplomatic lever to get access to the raw materials in Africa by setting a debt trap. some scholars pointed out that the loans from China allocated to infrastructure is to facilitate the transportation and further provide the convenience to access the raw resources (Hanauer et al., 2014). However, according to Brautigam (2016), the allocation of loans from China to Africa between 2000 and 2014 are not only flows to energy, communication and other sectors counts for 70 percent. In addition, Chinese infrastructure finance in Sub-Saharan Africa from 2001to 2007 can be identified with 5 categories: electricity (33.4%), transport (33.2%), ICT (17.4%, mainly equipment supply), water (2%) and general sector (14%) (Foster, 2009). The loans from China to Sub-Saharan Africa boost the infrastructure building in the region, which will improve the investment environment in that area and further attract the FDI. The improvement of infrastructure is what Sub-Saharan African governments thirstily seek for their manufacture development (Ayodele and Sotola, 2014), and it is the area western donors are unwilling to invest in while China's loans allocated at.

Sub-Saharan Africa has missed the time for its economic development in 1960s (Gill and Karakulah, 2019), it is an important opportunity for them to embrace the opportunity to reshape and develop its economy by using the loans provided by China, especially vast amount of loans under the project Belt and Road Initiative. The external debates, particularly the "debt trap" narrative around the loans from China may cause the holdback of Sub-Saharan African countries to carry on borrowing the loans for its economic establishment. Thus, it is the first and foremost task to figure out whether China's loans are a trap to Sub-Saharan Africa by looking deep into the the real purpose of Chinese lending and realizing that what the borrowers will gain in those loans.

This study will look deep into the debt situation in Sub-Saharan Africa (SSA) countries and analyze the reason why the debts in Sub-Saharan Africa is rising and how much China lend to SSA. The research will further answer the main question whether China foreign financing is a trap for SSA by analyzing the characteristic of China's foreign loans to SSA, and the real needs of SSA's economic growth.

1.2 Research Objectives and Questions

The research is aiming to discuss whether loans from China to SSA were damaging the economic growth in that region. The main question of this study is as follows: whether China's loans were damaging the economic growth of SSA countries. The sub-questions are as follows: a) Does China's lending to SSA constitute "a debt trap" as is claimed by many commentators? b) If not, why not?

1.3 Data and Methodology

1.3.1 Data

Chinese oversea lending is officially executed by the government, state-owned companies or central banks, which means the loans from China to SSA countries are officially from government to government. China is not a member of Paris Club, and it is not necessary to report its overseas financing as Paris Club creditors, which resulted in the scarcity of official data about its oversea lending. Numerous of research institutes are trying to track the records of Chinese oversea lending, they rely on various of sources, for instance, news reports, official statements, debt information tracked by scholars or NGOs. However, it is hard to identify the quality of the data collected by the research institutes, since they have different degrees in cleaning the data and they also applied different methods to collect the data, not all the research institutes disclose their research method and how much they clean the data. Brautigam and Hwang (2016) also pointed out that AidData is the transparent in its research methods and its data cleaning rigor, however, the data they published in 2013 still overstate the magnitude of Chinese oversea lending, which can be found in version 1.0. They found that only 50% of the total financing are executed, but numerous scholars are still using this flawed dataset, for instance, Guillon and Mathonnat (2019) applied the data from AidData to evaluate the motivation of Chinese overseas financing in Africa Park et (2013) Lee (2018) estimated the impact of Belt and Road Initiative (BRI) on the trade between China and Central Asian countries. The results they obtained are suspicious, since their results are based on the problematic data source.

The data of Chinese loan in this study is extracted from the database of China-Africa Research Initiative (CARI). According to Brautigam and Hwang (2019), this dataset recorded the loans from China to Africa, which includes commercial loan, zero-interest loan, concessional loan, suppliers' credit, preferential export buyers' credit, export buyers' credit and master facility loan. CARI tracked these loan flows from China to Africa by Forensic Internet Sleuthing (FIS) from "the initial report to completion" (Brautigam and Hwang, 2019: P4). This is a methodology CARI applied to triangulate and cross-check reports of loans, all the status of loan records in the dataset can be identified as "signed", "implementation" or "completed" (Brautigam and Hwang, 2016). The resources they extracted the loans records are news reports, official websites of central banks and ministries of finance, Chinese contractors, and personal contacts in China and in African countries." (Brautigam and Hwang, 2016: P7) and some other resources are obtained from in-country interviews and meetings with the officials from both lending and borrowing countries (Brautigam and Hwang, 2016). The data of SSA's GDP compositions is extracted from World Bank Data base and IMF data base, some other data, such as the electricity access data, Chinese import data and transportation cost of SSA and Africa was extracted from the official reports, working papers and some official websites.

1.3.2 Methodology

This study will use secondary data to analyze the research problems, the data of loan flows from China to Sub-Saharan African countries is obtained from the database of CARI. The study also applied exploratory data and descriptive analysis to answer the research questions by presenting tables and graphs.

Case study will be implied to answer the some of the research questions, the cases will be picked to illustrate how the capital flows from China to SSA promote the economic growth directly and indirectly.

1.4 Scope and Limitation

This study applied the loan records from 2000 to 2018, this period was captured because China increased its financial resources to foreign aid rapidly since 21st century (Information Office of the State Council The PRC, 2011).

However, as mentioned before, China does not publish its oversea financial data, even in the White Paper on China’s Foreign Aid 2011 & 2014, the Information Office of the State Council of The PRC only publish the aggregate of its oversea lending. No detailed data is published, the research institutes and researchers collected Chinese foreign financial data mostly through the news reports, the official announcements or reports from central bank, ministries of finance or some other resources. It is hard to make sure all the loans are included in the records, and the loan records collected by the research institutes may be not completely correct. The researchers should measure the errors among the datasets.

1.5 Structure

The study will be built with six chapters. Chapter 1 is the introduction of the study, which includes the background, research objectives, research questions, data, methodologies and the scope and limitation of the study. Chapter 2 is the literature reviews, which explored why SSA countries are seeking external debts, and the arguments towards China’s loans to SSA. Chapter 3 is the debt situation in SSA and Chinese financing in SSA. Chapter 4 discussed the so-called evidence behind the public use to blame Chinese loans. In this section, the paper pointed out the questions in terms of “debt trap” and analyzed the reasons of the debt distress in Sri Lanka and unveil the mysteries of the Hambantota port story. In addition, this chapter also shows how a real debt trap operate by studying what Egypt and Pakistan experienced decades ago. Chapter 5 illustrated Chinese overseas financing in SSA is beneficial for the regional economic growth in terms of trade, business, FDI, knowledge transfers and job creation. This chapter studied the bottlenecks of the SSA economic growth and further analyzed loans with Chinese characteristics meet the real needs of SSA countries. A conclusion will be drawn in Chapter 6.

Chapter 2 Literature Review

China’s loan is accused by the public that China used a “debt trap” diplomacy to shackle the poor nations, which further damages the economic growth of the recipient countries. This chapter will discuss the arguments around this statement. This chapter will be built by three sections. The first section discusses the literatures about why the developing countries are seeking for external borrowing. The second section discusses the main arguments for and against Chinese loans to SSA countries.

2.1 External Debt

The debt of a country can be identified as internal debt and external debt. Internal debt is borrowed from the lenders within the country, while the external debt is borrowed from the creditors from other countries. The loans we discussed in this study allocated in the external debt.

Most of the least developed countries (LDCs) are in low domestic savings, insufficient government revenue leads to the poor investment in infrastructure for its industrial development (Angmortey and Tandoh-Offin, 2014). Poor infrastructure impedes the industrial development in the developing countries (Calderon and Serven, 2010), which further do harm to the regional economic growth. In order to fulfill this gap, those countries chase after the external borrowing. Furthermore, those recipient countries may need to export to the lender’s countries to repay the loans, which may cause the currency differences. Harrod(1939) and Domar (1946) applied two-gap models to explain that how the external debt and foreign capital flows fulfill the domestic saving-investment gap and, the foreign currency gap caused by the trading between lenders and borrower countries. They pointed out that the external can fulfill the gap between the low domestic savings, however the borrowing should repay the external debt with the currency of the lenders most of the time, in order to repay the debt, the borrowing countries usually export goods to the lending countries, which further results in the currency gap because of the trade, the solution for the foreign currency gap is the foreign capital flow, in other words, external borrowing is one of the vital ways for the developing countries to fulfill the gap between domestic savings and investments and, the foreign currency gap contributed by the trades between lending and borrowing countries.

2.2 The Arguments Towards China’s Loans to SSA

China’s re-emergence in Africa since 1980s has attracted the world-wide attention, loans from China to Africa captured an upward trend, with the number from 0.2 million dollars in 2000 to 21.8 million dollars in 2014 (AidData 2017). What is more, China’s President Xi Jinping pledged an investment of 60 billion dollars to finance Africa in the 6th Forum on China-Africa Cooperation, which lead to the public debates that China were setting up a “Debt Trap” to the developing countries by lending them the money. The mainstreams of China’s “debt trap” arguments can be mainly concluded into three aspects.

First of all, China is blamed that it set up a debt trap for the poor nations to swap the raw materials in the developing countries (Chan-Fishel and Lawson, 2007; Reisen, 2007) by using loans and conditions. They argued that China is offering loans and other investments in Africa to get access to extract the natural resources with low price in the continent. Martuscelli (2019) further pointed out that China imports mostly the raw materials from Africa, such as oil. China treats Africa as the source of cheap and raw materials, and the value of processing is finished in the other countries (Flynn, 2013). Other researchers also believe that Chinese loans are resources-based or oil-seeking strategies (Butts and Bankus, 2009; Jiang, 2009; Alden and Alves, 2009; Meidan, 2016), they argued that Chinese energy consumption for its economic development drives China explore and extract the oil from Africa to satisfy the needs of its rapid economic development, China's lending to SSA countries is somehow a strategy to enter the natural resources of Africa.

However, the above arguments are problematic. As the architect of Ethiopia's industrial policy pointed out, China's loans and investments in SSA is not simply driven by natural resources (Arkebe Oqubay in Pilling, 2015).

Firstly, data from China-Africa Research Initiative (CARI) also shows that Chinese loan does not only flow to resource-rich countries, but also flow to those are not resource-rich ones. For instance, Ethiopia and Rwanda. Data from CARI shows that Ethiopia is one of the top ten biggest recipients with Chinese loans, while Rwanda has a very "close trade and investment tie with China" (Pilling, 2015).

Secondly, massive of data from various sources shows that Africa is not the largest fuel supplier for China, it only shared 4% of Chinese global trading in 2011(Gamache and Hammer, 2013). World Integrated Trade Solution (WITS) also indicates that the largest fuel import partner of China is Russia, with the share of 12 percent, following with Saudi Arabia, with the share of 9 percent in 2018. The other figures provided by some researchers also implies that SSA countries are not the main crude oil providers for China. Alden and Alves (2009) pointed out that only 9% of Chinese oil is imported from Africa, the number is small compared with the one of the United States and Europe, with the amount of 32% and 33% respectively. Workman (2019) reported in World's Top Export that the crude oil China imported in 2019 is worth of 238.7 billion dollars, the top 15 countries count more than 90% of the total imported crude oil of China in 2019, in which 2 out of 15 providers are SSA countries (Angola and Congo), the crude oil from those two SSA countries shared 11.8% of the total amount of imported crude oil of China in 2019. What is more, the the crude oil purchased in Angola and Congo in 2019 declined by 8.7% and 12.9% respectively. The above figures show that the main crude oil providers of China are not SSA countries. Instead, China mainly purchased the crude oil from Saudi Arabia, Russia and Iraq, which account for more than 42% of the total purchased amount in 2019.

Thirdly, Chinese loans are "no strings" attached (Yu and Wang, 2007; Wong and Zhou, 2021), so the accuse that China impose SSA countries to export raw materials to China by using the conditions along with the foreign lending is a fiction rather than a fact. China's aid including the concessional loans to SSA is unconditional, Chinese oversea financing is driven by One-China policy and the purpose of maintaining the diplomatic relations across the countries (Brautigam 2012), that is the reason why China also finances those countries are lack of resources, for instance, Mali, Rwanda, Ethiopia, Senegal, Togo, Benin etc. China reported in 'China White Paper of Aid' (2014) that the interest-free loan and concessional loan, which amounted up to 63.8% of total assistance volume, flowed to the construction of infrastructures of the recipient countries.

While some scholars believe that the loans from China allocated to infrastructure is to facilitate the transportation and further provide the convenience to access the raw resources (Hanauer et al., 2014). Brautigam (2016) refutes that the allocation of loans from China to Africa between 2000 and 2014 are not only flows to energy, communication and other sectors counts for 70 percent. In addition, Chinese infrastructure finance in Sub-Saharan Africa from 2001 to 2007 can be identified with 5 categories: electricity (33.4%), transport (33.2%), ICT (17.4%, mainly equipment supply), water (2%) and general sector (14%) (Foster, 2009). The loans from China to Sub-Saharan Africa boost the infrastructure building in the region, which will improve the investment environment in that area and further attract the FDI. The improvement of infrastructure is what Sub-Saharan African governments thirstily seek for their manufacture development (Ayodele and Sotola, 2014), and it is the area western donors are unwilling to invest in while China's loans allocated at.

SSA countries do not have the infrastructure to build the modern economy. Gyude Moore, the senior policy fellow at Global Development, pointed out at Paulson Institute's Contemporary China Speakers Series (Paulson Institute, 2019) that "only 43 percent of the roads in Africa are paved and 30 percent of all the paved roads are in South Africa", the gap of the road in the continent is dramatically large. China's show up provides the opportunity for the continent to get access to the funds which the SSA countries cannot obtain from other international financial institutes. He further argued that unlike the Western countries, China provided a different model for SSA countries in terms of loan for infrastructure. The infrastructure Western financed was "basically from the city center to the periphery", and it was intended to transfer the resource from the periphery to the center, Gyude Moore said in the Paulson Institute's Contemporary China Speakers Series (Paulson Institute, 2019). Instead, the infrastructure Chinese loan invested in is not directly related to raw material extraction, but connecting African cities and African capitals, which "make it possible for global value chains and regional value chains to develop" (ibid).

Another argument relates to the debt repayments. The critics argued that the Chinese debt repayments bleeding the surplus of SSA countries dry (Calderón and Zeufack, 2020; WIHTOL, 2020; Muhammed Tandogan in TRTWorld, 2019; Léonce Ndikumana and Boyce, 2011). They argued that the heavy indebtedness drained the revenue out of SSA countries, the high debt service constrains the government to invest in schools, hospitals and other public infrastructures, which makes the continent remain poor. Some critics allege that Chinese loans are "collateralized lending" (TRTWorld, 2019), they claimed that recipient countries have no choice but use the future revenue to serve debt repayment to China, which is simply one disaster after another.

While there is no evidence show that the Chinese loans suck the surplus out of SSA countries. Actually, Gyude Moore (Paulson Institute, 2019) indicated that China's share of the African external debt stock is around 17 percent, majority of Africa's debt borrowed from financial market, issued euro bonds. A report from CARI (Brautigam, Huang and Acker, 2020) shows that China's share of SSA's total public and private guaranteed (PPG) debt accounts to 22 percent in 2018. Which is different from the picture that those critics drew. The report (ibid) used the case of Bui Dam project in Ghana, it indicates that the collateralized lending ("resource-backed infrastructure finance") is one type of project financing, which is not invented by China and it is secured the repayment by the future receivables (i.e. future cocoa, oil, or other export revenue), rather than the existing assets (i.e.

property), the author illustrated that Bui Dem case was secured by the export of cocoa beans to a Chinese buyer in the prevailing market price and the electricity revenues paid by the consumers. The revenues of the Cocoa and electricity sales will be deposited to an escrow account with China Eximbank, which will be used to repay the loan, and the excess funds in the account can be withdrawn by the borrowing government or, if the borrowing government wish, the government can earn the interest by saving the excess parts. Brautigam, Huang and Acker (2020) emphasized that this finance model is aiming to reduce "the risk of a loan lowers its cost, which enables borrowing governments to use more finance" to establish the infrastructure they urgently need.

The final argument attacks Chinese overseas lending is that China is ensnaring the developing countries with unrepayable loan (Miller, 2019; Parker and Chefitz, 2018a; Mantesso, 2018; Abi-Habib, 2018). They argued that China may obtain its strategic assets when the borrowing countries default. While this argument tends to be indefensible, first of all, rarely evidence shows that China's oversea lending is intended to take over the sovereign of the assets from the borrowing countries. Sri Lanka is one of thousands projects the critics used to accused Chinese overseas finance (International Development LSE, 2020a). The real cause of the heavy indebtedness and the main causes of the debt default of Hambantota Port project will be illustrated in Chapter 4. Secondly, China pays more attention to its loans in SSA countries (Nyabiage, 2020; Nyabiage, 2019). Nyabiage (2020) pointed out that China is cautious with its overseas financing in Africa, especially during the COVID-19 period, China is worried about the debt default risk of the countries in the continent like other investors. Another report from The Africa Report (Olander, 2020a) indicated that Chinese creditors are highly cautious about issuing new loans for African countries regarding to their considerable financing distress. If China is ensnaring the poor nations to default, China should provide more loan to the developing countries during the pandemic, but the fact is that China is slowing down its lending to Africa, all these turn out that China does not want the borrower countries to struggling in heavy indebtedness. Another evidence to support this is the debt relief for African countries, who are hammered by the pandemic. Staff (2020) indicated that China extended the debt relief up to $2.1 billion under the G20 framework, what is more, China Eximbank "suspended debt service payments from 23 countries, worth up to $ 1.353 billion. Will a country extend the debt relief and suspend the debt service payment if it intends to take over the assets by ensnaring the developing nations to default? The answer would be no.

2.3 Do Foreign Loans Bring Economic Growth?

There is no consensus on the relationship between foreign borrowings and economic growth in the academy. Plenty of studies on foreign loans and economic growth, some researchers argued that the foreign borrowing helps the growth (Jayaraman and Lau, 2009; Easterly, 2001; Warner, 1992; Eaton, 1993), also, based on the Laffer Curve, some scholars obtained a non-linear relationship between foreign borrowing and economic growth (Cohen and Sachs,1986; Checherita-Westphal, Hughes Hallett and Rother, 2013). Conversely, massive scholars captured a negative relationship between external debt and the regional economic growth (Dey and Tareque, 2020; Senadza, Fiagbe and Quartey, 2017; Reinhart and Rogoff, 2010; Were, 2001; Deshpande, 1997; Fosu, 1996; BOURNE, 1981;), they studied on different developing countries in different period, they argued that the external debt will lower the economic growth rate in the borrowing countries, Krugman (1988) also argued that the debt service depressing the economic growth and the investment.

Horn, Reinhart and Trebesch(2019) rebuilt a database to track Chinese overseas capital exports from 1949 to 2017. They collected the data from different resources, such as the global treaties, debt contracts, reports and academic researchers. They argued that Chinese foreign loans created heavy burden for the debtor countries and the opacity of capital flows is an obstacle of managing financial crisis, which further hinder the debt sustainability and economic growth.

A study paper from European Foundation for South Asian Studies (2017) argued that Chinese lending in Africa is a "Debt Trap", since 20.9 billion US dollars out of 83.4 billion US dollars debt of infrastructural construction owned by China, which burdened African countries' debt pressure. What's more, the paper pointed out that 12% out of 322 large scale infrastructural projects are executed by Chinese construction companies, which also implied that about one million Chinese are in Africa, the author further argued that even China's lending in Africa is mainly allocated at the construction of infrastructure, but its value is small compared with the value of the natural resources, and the African governments controlled by Chinese government because of the rampant corruption. The author argued that the evidence shows that Chinese lending is a debt trap and prevent the economic growth in the continent.

Voivodas (1973) reported that foreign capitals have a negative impact on growth by analyzing the data of 22 LDCs from 1956 to 1968, while the impact was insignificant. Voivodas collected the data of the real gross domestic product (GDP) and capital flows from various of materials of United Nations Yearbook of National Accounts, the inaccurate data from various sources may be the reason which led to the inconclusive results (Durbarry, Gemmell and Greenaway, 1998). Ayadi, F.S. and Ayadi F.O.(2008) applied ordinary least square (OLS) and generalized least square (GLS) to analyze the relationship between external debts and the economic growth of Nigeria and South Africa, however, the result is ambiguous, they argued that the debt service has a negative impact on the growth in Nigeria, while the result in South Africa is positive. This result may suggest that a good debt service management will promote the output of the debt and further boost the regional economic growth (Klein, 1994).

BOURNE (1981) examined the impact of foreign borrowings on the economic growth in Jamaica in 1970s, he argued that the foreign borrowings mainly caused the economic crisis in Jamaica, since the external debt stocks decline the domestic savings and will decline both the government savings and private savings. Furthermore, the debt service will increase the taxation, which will further distress the private savings.

Were (2001) studied on the relationship between external debt and economic growth in HIPCs, he chose Kenya as the research country to analyze the effect of external borrowings on its economic growth. He found that the dominant part of the external debt of Kenya is official (multilateral) borrowing from 1970 to 1995, and the external debt stocks have a negative impact on its economic growth and the private investment.

Senadza, Fiagbe and Quartey (2017) employed the System Generalised Methods (GMM) to examine the influence of external debt in SSA on its economic growth from 1990 to 2013, they found that the external debt retards the economic growth in both lower and middle-income countries in SSA. They argued that SSA experienced a low economic growth between 1990 and 2000 because of the high debt-to-GDP ratio, and the rapid economic growth in the following decades due to the debt relief in HIPCs.

However, are those empirical examinations can be generalized? What are they missing? In the next section, the study will assess these two questions.

2.4 What Are Missing?

But will foreign loans decrease the regional economic growth? If not, what are missing in those studies? The growing imbalance and mounting external debts in SSA have been last for decades and the solutions are called for the macroeconomic stability. Substantial studies on the impacts of external debt on the economic growth in SSA have been done, while the nexus between external debt and economic growth is a mixed. While the balance tends to tilt in the positive direction, if so, what is missing in the studies about the adverse effect of foreign borrowing on economic growth?

In addition, the foreign borrowing can provide funds for the public investment and narrow down the gap between savings and investment in developing countries (Chenery and Strout, 1966), while BOURNE (1981) argued that the external debt will cause adverse impact on domestic savings and, further damage the economic growth. However, it is the import inflation and the skyrocketed oil price (Stone, 1985), after Jamaica turned to IMF for the bailout, liberalization of the financial sector was imposed (Kirkpatrick and Tennant, 2002), the poor financial sector management and the rapid expansion of private lending, along with the insufficient risk assessment led to the large non-performing loans (Green, 1999). The foreign exchange and BoP situation were aggregated.

According to the data from World Bank Database, the GDP of SSA from 2000 to 2013 witnessed a fast growth, from $395 billion in 2000 to $1731 billion in 2013. In which the service and industry account 51.08% and 27.1% respectively[1]. The regional GDP of SSA reached the peak in 2014 with $1813 billion. Senadza, Fiagbe and Quartey (2017) addressed that external debt lowered the economic growth in SSA, the regional economic growth after 2000 mainly benefits from the debt relief of HIPC Initiative reduced the debt-to GDP ratio after 2000, which further promoted the economic growth in SSA. However, the total estimated amount of the debt relief of the Initiative was $12.5 billion and $39.4 billion respectively in the net present value (NPV) terms, it is actually a drop in a bucket with regard to the mounting debt in SSA (George, 1992).

The data from World Bank shows that the average export-to-GDP in SSA between 2000 and 2013 was more than 31%, and it can be observed from Figure 2.1 that the export of goods and service remained in about $100 billion from 1990 to 2000, but it is increasing sharply after 2000, it reached to the peak in 2012, with the amount about $538 billion, it was more than five times of which in 1999. The dramatic increasing in service and industry, as well as export contributed to the economic growth and the foreign exchange in SSA after 2000, instead of the debt relief in HIPC initiative.

[1] Data from World Bank, available at: https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=ZG. Accessed at : 27 November 2020.

Figure 2.1

Source: World Bank

In fact, external borrowing is not a monster. The negative nexus between foreign financing and economic growth is also significantly related to poor governance in poor countries. (Loko et al., 2003), good governance is always a key element for economic growth. Another point is, low domestic savings restrict the public investment in SSA countries, the thirsty of the development of public infrastructure pushes SSA countries to seek the financing sources oversea (Coulibaly et al., 2019), the external debt is a complement to narrow the gap between domestic savings and investment, and thus promotes the growth (Eaton, 1993).

The nexus between economic growth and foreign borrowings cannot be simply analyze by models. different countries or regions have different situations, for instance, different countries have different governance, different external environment and political situations are all influence the economic performance, so the relationship between economic growth and external borrowings cannot be generally used model to address.

Chapter 3 The Debt Situation and Chinese Loans in SSA

This chapter will be organized with two sections, the first section will discuss the debt situation in SSA, and the Chinese financing in SSA will be discussed in the second section.

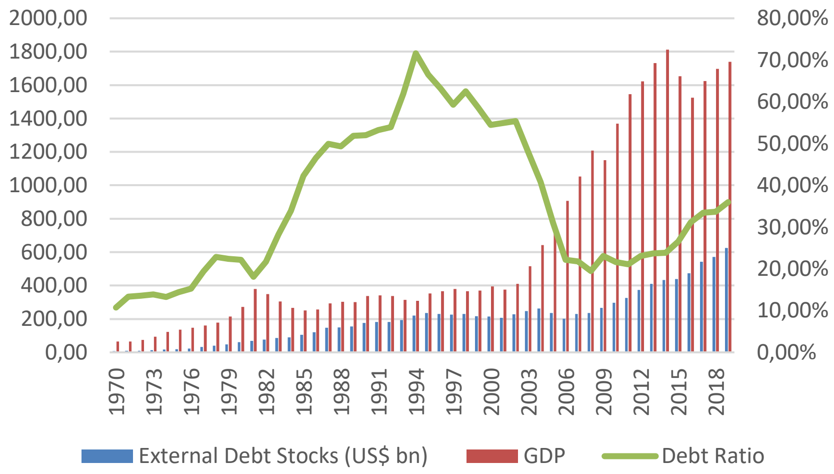
3.1 Debt Situation in SSA

Sub-Saharan Africa (SSA) is one of the least developed regions around the world, most countries in that region are in heavy debt. Simeon Ibidayo Ajayi and Mohsin S. Khan pointed out in a report from IMF (1997) that the external debt of SSA reached $18 billion in 1975, but the external debt amounted to more than $200 billion in 1995. The data from World Bank shows that the external debt of SSA jumped to $625 billion in 2019[2], the situation in 2020 would be worse as the COVID-19 and the declining of oil price. In this section, the indebtedness situation of SSA countries will be discussed, and the study will further analyse the components of the external debts in SSA.

3.1.1 Tracking the External Debt of SSA

The indebtedness situation in SSA is continuing to rise in the past few decades, the capacity of the repayment and the debt sustainability in this region have aroused extensive attention. In the following section, the study will look at the external debt revolution in SSA.

Figure 3.1 External Debt Stocks, GDP and External Debt-GDP Ratio of SSA (US$ bn, 1970-2019)



Note: High income countries are excluded.
Source: World Bank (2020)

[2] Available at: https://datatopics-worldbank-org.eur.idm.oclc.org/debt/ids/region/SSA , accessed at: October 1, 2020

According to the data from World Bank, the external debt of SSA in 2019 shot up to $625 billion, which is almost 36% of its GDP in the same year. The external debt stock to GDP ratio of SSA captured an upward trend from 1970 to 1994, the external debt to GDP ratio reached its peak in 1994, with the number of 71.6percent, and then dropped to 19 percent in 2008 (see Figure 3.1), after that the ratio slightly increased to 36 percent in 2019. After the il shock in 1970s, the debt burden in SSA became worse, low economic growth along with high debt service resulted in the unsustainable external indebtedness (Request and Mustapha, 2014). Due to the good performance of economic growth and the Heavy Indebt Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) debt relief programs in mid-1990s, the external debt to GDP ratio declined after 1994 (Battaile, Hernández and Norambuena, 2015; Omotola and Saliu, 2009). While the global economic crisis in 2008 made SSA countries suffered a hard economic development period, which also put pressure on its debt service, and further led the debt to GDP ratio to an upward trend.

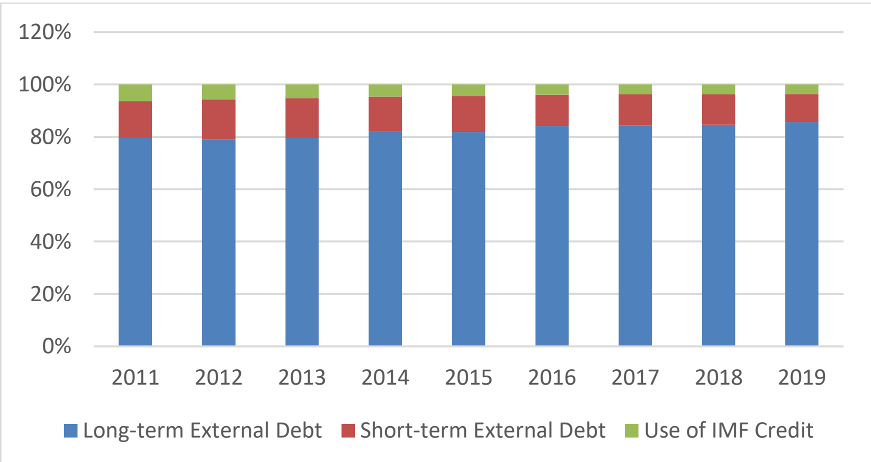
3.1.2 The Components of the External Debt of SSA

The previous section discussed the trend of external debt in SSA, the study will dig into the data and further look at the components of the External Debt of SSA.

Figuring out the indebtedness of SSA is vital to look at the components of the external debt in that region, since it is vital to look behind the general data by analyzing the composition of the external debt. It is beneficial for the policy makers to target the main causes of the indebtedness and further develop the related policies to tackle the problems. The rising external debt stocks in SSA have become a global focus in recent decades. It is essential to figure out what is behind the external debt through analyzing its composition.

According to the data shown in Figure 3.2, the long-term debt accounts the largest proportio of the external debt stocks in SSA from 2011 to 2019, and the proportion of long-term debt in external debt stocks captured from 80% in 2011 to 86% in 2019. The ratio of short-term debt in external debt stocks fluctuated between 2011 and 2019, while it experienced a downward trend in general. Long-term debt still plays an important role in the indebtedness of SSA.

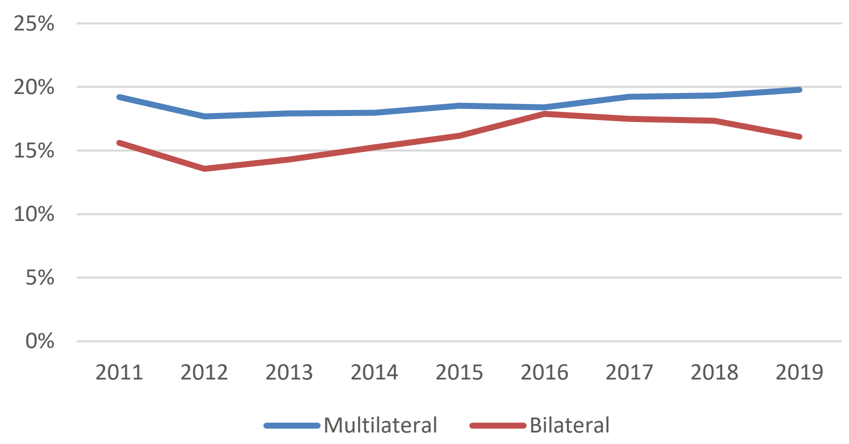
Figure 3.2 Components of External Debt Stocks in SSA(2011-2019)



Note: High income countries are excluded.
Source: World Bank (2020)

According to the data from World Bank[3], the multilateral debt ratio in external debt stocks is higher than the bilateral one between 2011 and 2019(see Figure 3.3), the bilateral debt ratio increased after 2012, then it dropped from 2016 and the ratio gap between multilateral and bilateral increased from 2016, the role of multilateral debt becomes more significant compared with the bilateral one in the external debt stocks of SSA recent years. Another point can be observed from the data is that proportion of multilateral and bilateral debt in external debt stocks fluctuated from 31% to 37% between 2011 and 2019, which means the main debt burden is contributed by the private creditors, as we can see the data from Table 3.1, the average debt ratio of private creditors (including both publicly guaranteed and nonguaranteed) from 2011 to 2019 accounted for 48% of external debt stocks.

Figure 3.3 The Multilateral & Bilateral Ratio in External Debt Stocks in SSA



Note: High income countries are excluded.
Source: World Bank (2020)

Table 3.1 Composition of External Debt Stocks in SSA (2011-2019 $bn)

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Long-term External Debt	259.3	295.8	326.6	355.6	359.1	398.6	457.7	483.6	534.6
Public and Publicly Guaranteed	178.6	202.0	224.4	247.7	250.8	283.1	335.9	354.5	391.9
Official Creditors	113.5	117.0	132.1	143.8	152.2	172.1	199.5	209.5	224.1
Multilateral	62.6	66.2	73.5	77.7	81.3	87.3	104.5	110.5	123.6
Concessional	50.0	51.9	58.5	60.9	63.8	67.6	78.0	82.0	90.1
Bilateral	50.9	50.8	58.6	66.0	70.9	84.8	95.0	99.0	100.5
Concessional	10.7	10.3	11.7	12.3	12.9	13.8	15.3	16.5	16.9
Private Creditors	65.2	84.9	92.2	104.0	98.5	111.0	136.5	145.0	167.8
Private Nonguaranteed	80.6	93.8	102.2	107.9	108.4	115.5	121.8	129.1	142.6
Short-term External Debt	46.0	57.2	61.8	56.9	60.4	56.8	65.2	66.1	67.6
Total External Debt Stocks	325.9	374.5	410.1	432.8	438.8	474.2	543.4	571.2	625.0

Note: High income countries are excluded.
Source: World Bank (2020)

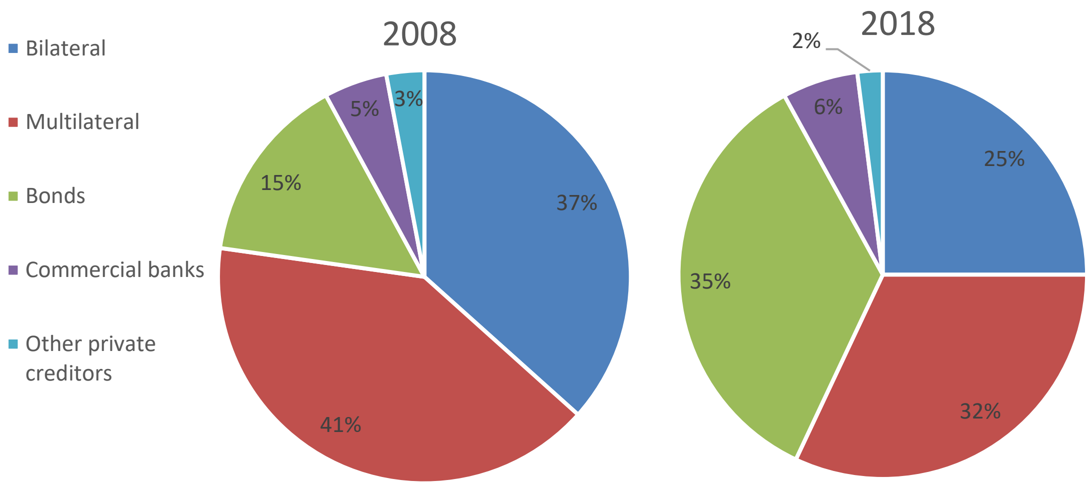
[3] Available at: https://datatopics-worldbank-org.eur.idm.oclc.org/debt/ids/region/SSA#, accessed at: October 5, 2020

3.1.3 Who Owns the Debt of SSA

China is always set as a role of the biggest creditors in Africa. Especially under the un-transparent lending data, Chinese loans in Africa is always overstated. According to a report from Jubilee Debt Campaign (2018), China owns 20% of African's total external debt. According to the data from CARI database, China provided about $138 billion loans for SSA from 2000 to 2018, which accounts for around 24% of the external debt stocks of SSA in 2018. However, the real proportion must be lower, since some of the debtors have already repaid part of the loans. For instance, Nigeria is captured with 16 loans with China between 2000 and 2018, which amounted $6 billion, while due to the disbursement of $2.8 billion (Brautigam, Huang and Acker, 2020), its outstanding debt of China remained $2.5 billion by the end of 2018 (Debt Management Office Nigeria, 2018a). Some researchers argued that Chinese loans amounted around 80% of some SSA countries' bilateral debt (Payne, 2020; Abi-Habib and Bradsher, 2020). While a report from Jubilee Debt Campaign (2018) estimated that Chinese loans share 20 percent of African government external debts.

According to the data from International Debt Statistic 2020[4] shown in Figure 3.4, the bilateral debt accounted 25 percent of the total external debt stocks in SSA by the end of 2018, which can be captured from Figure 3.4, if Chinese loan amounted to 80 percent, which means Chinese loans accounted 20 percent of SSA's total external debt stocks in 2018, with the number about $114 billion, if the share of Chinese loan in SSA captured 56 percent, then China's oversea lending in SSA was only 14 percent in 2018, with the number of $79.97 billion.

Figure 3.4 SSA General External Debt Stock by Creditor



Source: International Debt Statistics 2020

[4] Available at: https://databank.worldbank.org/source/international-debt-statistics. Accessed at: 28 November 2020.

Apart from China, World Bank and its sister institution IMF are two major creditors in SSA. They play vital roles in SSA's external debt. Most of the multilateral loans of SSA are come from these two institutions. A report from Jubilee Debt Campaign (2018) mentioned that the multilateral institutions owned 36% of African countries' external debt by the end of 2016 (World Bank, IMF and other multilaterals accounted 16%, 5% and 15% respectively). Further, the report (ibid) studied 16 countries in SSA, the figures can be observed from Table 3.2, the average amount of those 16 countries owed to World Bank is 14% of the external debt stocks. 8 out of 16 countries owed more than 14% of their external debt to World Bank, two countries owed more than 14% of their debt to IMF. The total amount of loans IMF and World Bank provided to these 16 countries are amounted to $23.59 billion by the end of 2017, which is slightly higher compared with the loans China lend to those countries, with the number of $23.56 billion. In addition, it can be captured from Table 3.1 that the private loan (private creditors and private non-guaranteed) amounted more than 50 percent of the long-term external debt in SSA from 2011 to 2019.

Table 3.2 Debt owed to China IMF and World Bank (WB)

	% of the external debt			Debt owed to($ million)			Total external debt($million)
	China	IMF	WB	China	WB	IMF	
Burundi***	0%	14%	30%	0	143	65	474
Cabo Verde***	1%	0%	21%	23	346	0	1675
Cameroon***	29%	5%	16%	2530	1440	400	8730
Central African Public***	6%	22%	9%	40	61	146	675
Chad*	8%	6%	6%	215	161	161	2690
Djibouti***	68%	2%	8%	1096	131	26	1604
Ethiopia***	35% (China, India and Middle East Gov.)	1%	27%	8600	6600	200	24000
Gambia*	0%	8%	16%	0	105	52	686
Ghana***	9%	4%	18%	2060	3922	958	22000
Mauritania***	8%	4%	8%	339	365	166	4408
Mozambique*	16%	2%	28%	1600	2870	200	10150
Sao Tome *	5%	4%	6%	10	12	7	190
South Sudan*	10%		4%	100	34	0	963
Sudan*	6%	3%	2%	3200	1200	1400	50700
Zambia***	30%	1%	10%	2640	890	130	8800
Zimbabwe*	15%		19%	1107	1402	0	7253
Total				23560	23593		144998
% of total debt				0.1625	0.1627		

Note: * in debt distress
*** high risk of debt distress
Source: Jubilee Debt Campaign (2018), calculated by the author.

3.2 Chinese Financers in SSA

As Chinese financing in SSA is increasing, Chinese official financers are playing vital roles in those financial activities. Chinese oversea lending is mainly executed by China Export-Import Bank (Eximbank), even though other state-own banks also implement the oversea lending in SSA. According Table 3.3, Chinese financers in SSA between 2000 and 2018 are mainly as follows: Eximbank, China Development Bank (CDB), Ministry of Commerce of China (MOFCOM), Industrial Bank of China (ICBC) and Bank of China (BoC). The data shows that the loans from China to SSA amounted to $126.6 billion from 2000 to 2018, and the details can be captured in Table 3.3.

Table 3.3 Chinese Main Financers in SSA
(2000-2018)

Lender	Loans(bn$)
Eximbank	68.14
CDB	32.639
MOFCOM/GOV/others	16.49
ICBC	7.66
BOC	1.687
Total	126.618

Source: CARI

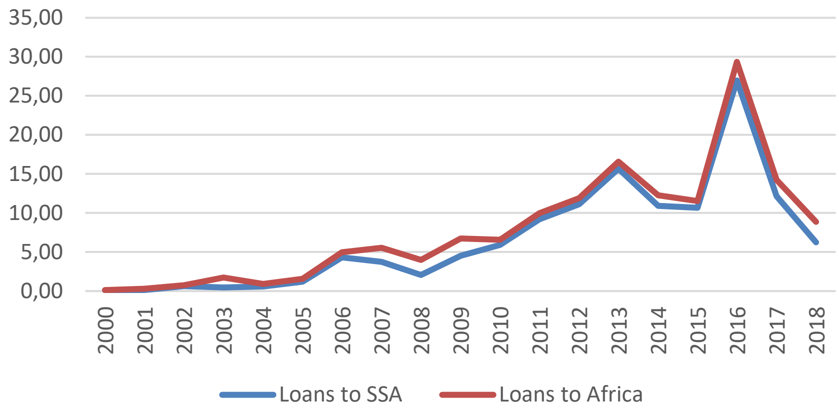
According to the data from China Africa Research Initiative shown in Table 3.3, the Eximbank provided $68.14 billion between 2000 and 2018, following by China Development Bank (CDB) with the amount of $32.6 billion in the same period.

3.3 Loans from China to SSA

As we mentioned in the previous section, the data of loans from China to Africa is not officially published, so the loan data for research is mostly rely on the database of research institutes. In our study, the data of loans from China to SSA is extracted from CARI database.

It can be captured from Figure 3.5 that the loan flows from China to SSA and Africa captured a similar upward trend from 2000 to 2016, and reached to the peak in 2016, which amounted to $26.97 billion. There are some fluctuations during that period. The flows increased from 2000 to 2006, while it decreased between 2006 and 2008. The financial flows shot again after 2008 and reached to $15.67 billion in 2013 before declining. The financing was re-active after 2015, then dropped after 2016.

Figure 3.5 Loans from China to Africa & SSA ($bn) (2000-2018)



Source: CARI

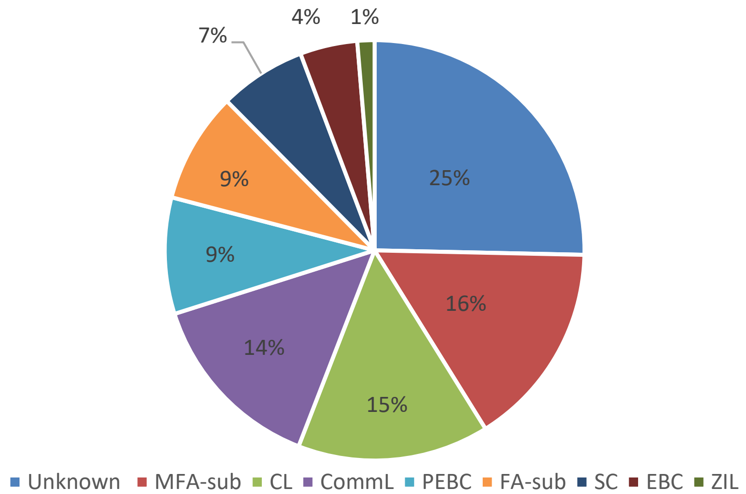
3.3.1 The Financing Types of Chinese Loans in SSA

According to a report from CARI (2019), Chinese financing activities in SSA could be mainly identified as:

Concessional loan (CL), which is lent by Eximbank only. Zero Interest Loan (ZIL), which is only from MOFCOM. Commercial Bank Loans (CommL), these loans are not in concessional rate. Preferential Export Buyers' Credit (PEBC), this is one of Chinese financial types in SSA, and this financing activity is at concessional rates, in addition, these loans are executed by Eximbank for the recipient governments to purchase products or services from Chinese contractors. Eximbank Framework Agreement's individual loan finance agreement (FA-sub), Master Facility Agreement sub-projects (MFA-sub), Suppliers' Credit (SC), Export Buyers' Credit (EBC) and some unknown loans.

CL, ZIL and PEBC are three types of Chinese financing activities in SSA with concessional rates, according to the data from CARI Loan Database, these three types of loans accounted for more than a quarter of the total financing in SSA, with the number of 25.03%, which can be observed from Figure 3.6.

Figure 3.6 The Proportion of Chinese Financing Types in SSA

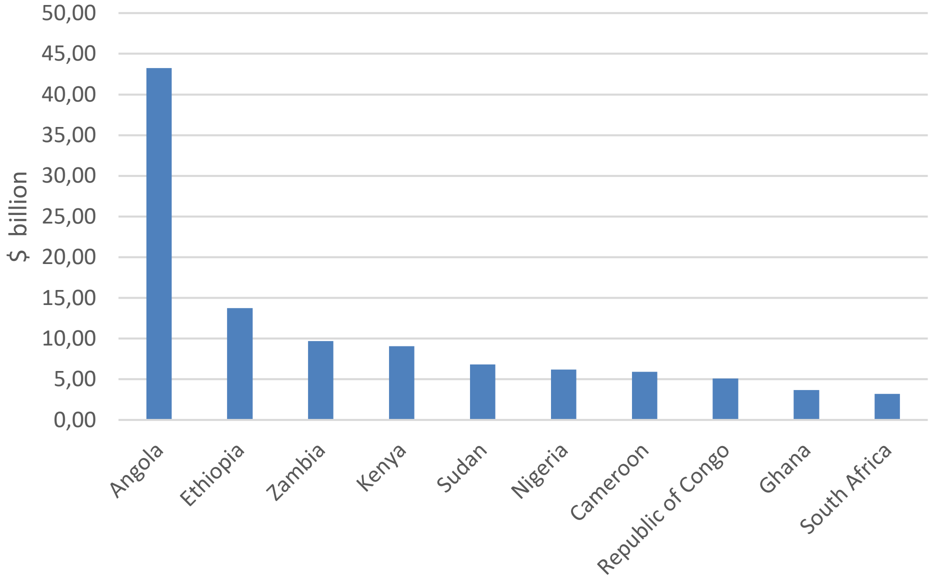


Source: CARI

3.4 Where Chinese Loans Go To

The data from CARI[5] shows that China has lent more than $138 billion to SSA countries from 2000 to 2018, which accounts for most of the Chinese lending in Africa. Chinese loans mainly flow to the top ten countries, which can be seen in Figure 3.7. These ten countries account for more than 77% of total loans from China to SSA between 2000 and 2018. Angola occupied the first place among the ten largest recipient countries by the end of 2018, whose accumulative loans from China amounted to $43.25 billion. Following by Ethiopia, the second largest recipient country, with the number of $13.73 billion, Zambia at $9.71 billion, Kenya at $9.05 billion, Sudan at $6.82 billion and Nigeria at $6.18 billion.

Figure 3.7 Top Ten Recipient Countries in SSA (2000-2018)



Note: High income countries are excluded.
Source: Chinese Loans to Africa Database.

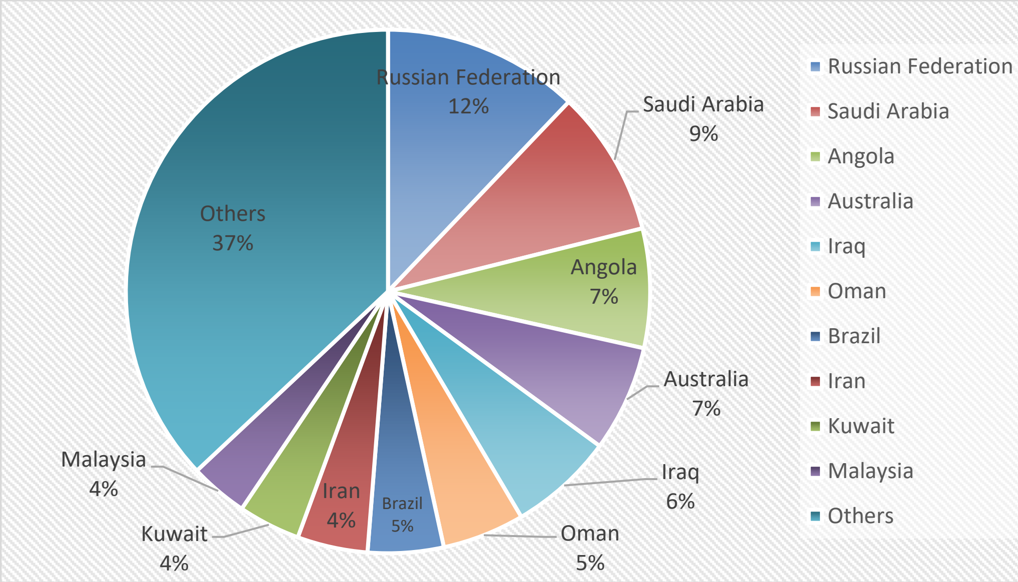
Some scholars argued that China is aiming to seize the natural resources in SSA countries by lending up vast amount of debt to developing countries. (Taylor, 2007; Economy and Levi, 2014; Chan-Fishel and Lawson, 2007; Hughes Butts and Bankus, 2009; Sun, 2014). They argued that China's domestic natural resource base is not sufficient enough to support its fast-growing economy, which drives China to present in Africa by providing loans, aid and FDI.

However, the condemnation is not true. The fact is that China is not only lend to the natural resource-rich country, but the non-resource intensive country. According to a report from World Bank-IMF Spring Meeting (2014), Ethiopia is non-resource rich country, but as we can observe from Figure 3.7, Ethiopia came after Angola, ranked second among the recipient countries of China's loan in SSA from 2000 to 2018. What is more, China's raw material import is mainly from East Asia and Latin America, rather than SSA. Figure 3.8 shows that the raw materials imported from Latin America was about $117 billion in 2018, the amount of SSA is far less than Latin America, with the number of $63 billion

[5] Available at: https://chinaafricaloandata.org . Accessed at: October 5, 2020.

in the same period. It can be observed from Figure 3.8 that Angola accounts only 7% of the total fuels import in 2018, which came after Russia and Saudi Arabia, with the share of 12% and 9% respectively.

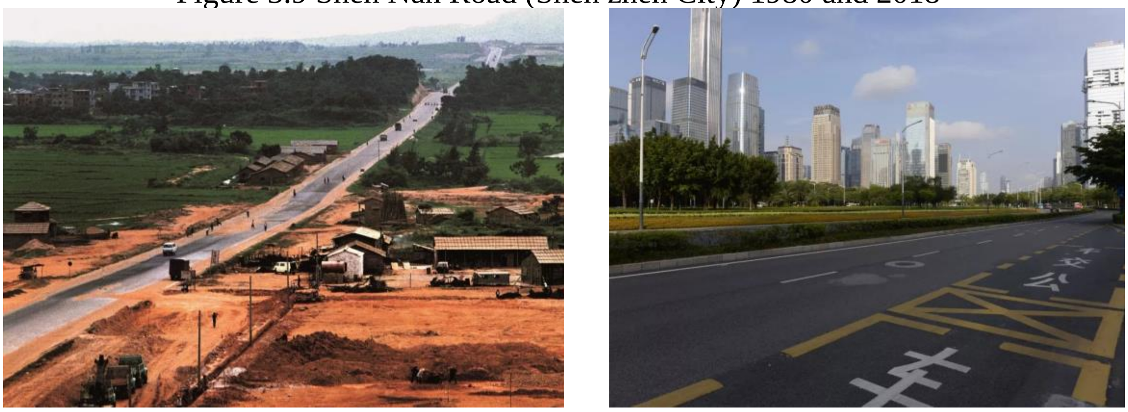
Figure 3.8 **China Fuels Import Partner Share 2018**



Note: Source from World Integrated Trade Solution (WITS)
Others included 96 countries.

China has its own experience in developing in resource-back loans in last century. China is seeking a win-win way to promote the regional economic growth in SSA by looking back to its own developing history. SSA countries should learn from what China did in late 1970s. back then China was poorer than most of African countries now, the infrastructure can be reflected in Figure 3.9, and it was desperate for its economic development, however, China did not have sufficient infrastructure and technical talents. China had the natural resources and Japan was seeking resources for its rapid economic development, back then Japan turned to provide loans to China, and China paid back with the raw materials instead of cash (Olander, 2020). China seized the opportunity to develop the domestic infrastructure and absorb the technic transfer at that period.

Figure 3.9 Shen Nan Road (Shen zhen City) 1980 and 2018



Source: The Paper[6]

[6] Available at: https://www.thepaper.cn/newsDetail_forward_4200389. Accessed at: 3 November, 2020.

Chinese loans cover a wide range of fields, such as transportation, energy, mining, communication, water, agriculture, industry, health, etc. Chinese loans are well known as investing in infrastructure in developing countries. As the data shown in Figure 3.10, loans from China to SSA are mainly allocated to infrastructure, the loans allocated to transports are amounted to 30.9%, followed by power with the share of 25.87% and mining with the number of 13.46%. Obviously, the transport sector and energy sector are still the two largest recipients of Chinese loans in SSA countries. Looking deep into the loans allocated to transport sector in Figure 3.11, we found that almost three quarters of the total loans in transport sector are distributed to road and railway construction, which amounted to 74% of the total share.

Figure 3.10 Sectors Chinese Loans Allocated to
(2000-2018)

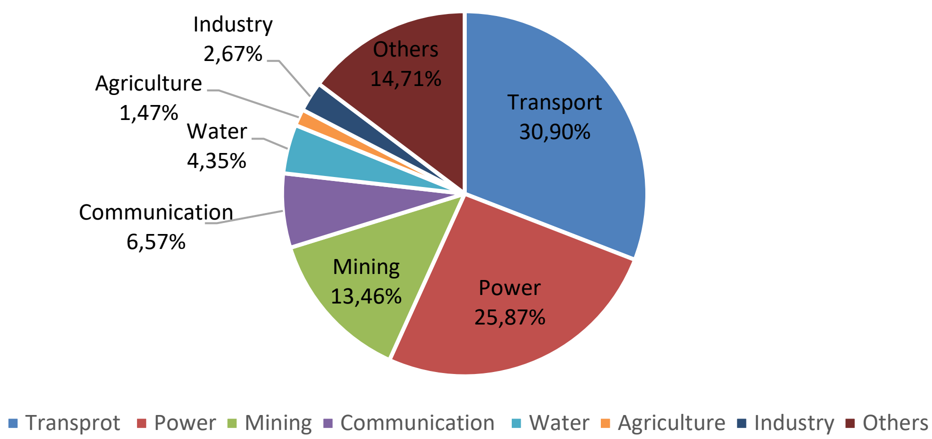
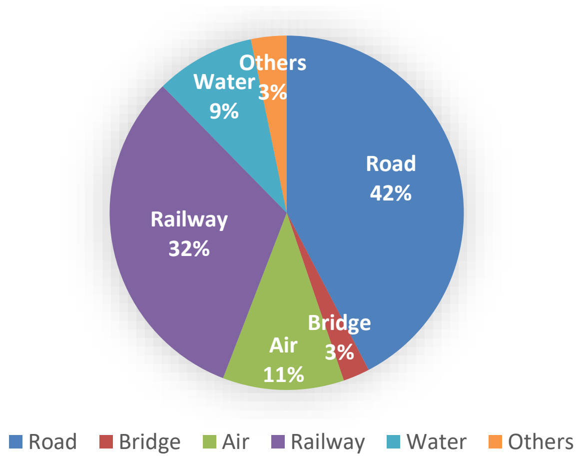


Figure 3.11 Breakdown the Loans Allocated in Transport Sector



Source: CARI

3.5 Concluding Remarks

The external debt burden in Africa and SSA countries capture the same trend from 2000 to 2018. The external debt stocks of SSA declined after 1994 due to the good economic performance in that region and the HIPC and MDRI debt relief program. However, the external debt in SSA increased again after the global financial crisis in 2008 and reached to the peak in 2016 with the number of $12.4 billion. China Eximbank and CDB are two major actors in Chinese overseas lending in SSA, in which Eximbank provided the largest amount of loans to SSA between 2000 and 2018.

More than 25 percent of China's loans in SSA are concessional loans, which consists with CL, ZIL and PEBC. From the list of the top ten recipient countries, it can be figured out that Chinese loans are not priority to the natural resource rich countries, and Chinese largest fuels supplier is not from SSA, these evidence all support that China is not extracting the natural resources from SSA by playing "debt" card.

Chinese loans for SSA are mainly allocated in infrastructure, specifically, they are concentrated in transportation, power and mining, with the share of 30.9 percent, 25.87 percent and 13.46 percent respectively. The data extracted by breaking down the transportation shows that the three fields (road, railway and air) share the majority of the loans in transportation.

China is providing loans to SSA by its own experience, China use foreign loans from Japan to finance its infrastructure back in 1970s, in order to serve the debt by then, China can only pay back by natural resources. While several decades past, and China found its own way for economic growth, Chinese development experience is a mirror for SSA's economic development.

Chapter 4 The Myths Behind the So-called “Evidence”

Chinese oversea lending is considering as a “Debt Trap” for the developing countries by most of western medias. The “Debt Trap” was firstly brought up by an Indian pundit and then developed by two students from Harvard University (Brautigam, 2019). The “Debt Trap” meme then spread in an astonishing speed by media. China is then accused of providing unsustainable loans to those developing countries who cannot repay.

Sri Lanka Hambantota port is the so-call “evidence” chosen from thousands of projects for the medias and scholars to criticize Chinese oversea lending. In this chapter, the study will question the “Debt Trap” arguments and look deep into the external debt of Sri Lanka and the Hambantota port project to debunk the myth behind those “evidence”.

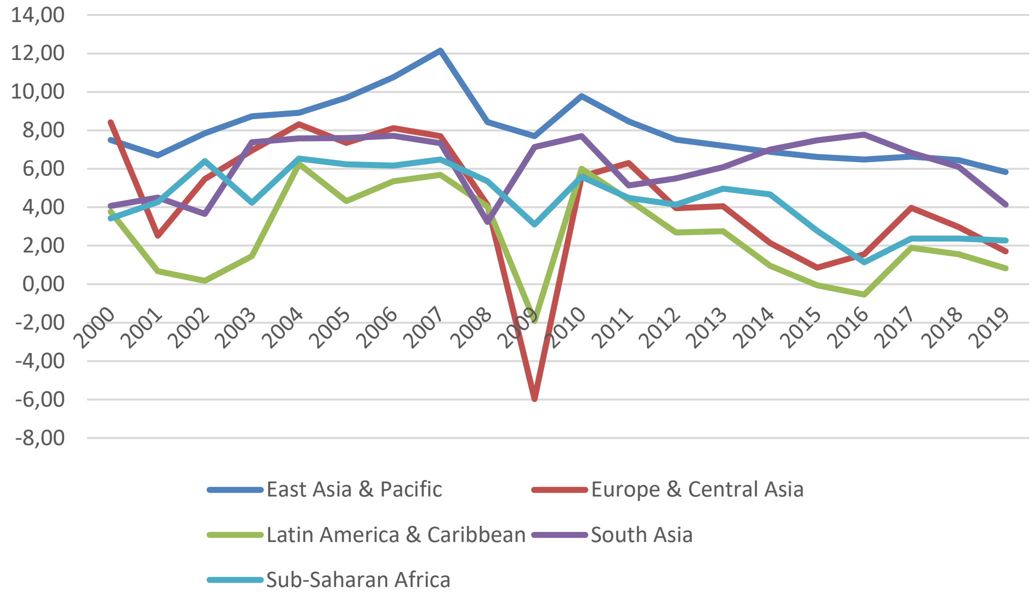
4.1 Questions Behind the “Debt Trap”

Chinese lending in SSA is blamed by some of the publics that it contributed to the spiraling debt and debt servicing problems for SSA countries (Wheatley and Cotterill, 2020; OECD, 2020). The opaque nature of Chinese oversea lending caused massive of speculations. Critics argued that China provided “hidden” debt to developing countries (Weizhen Tan, 2019; Dhruv Gandhi, 2019), which contributed to the unsustainable debt in the third world countries (Faye and Ho, 2019). Calderón and Zeufack (2020) and TRT-World (2019) argued that Chinese loans in SSA burdened the debt distress in the region, the debt service drain out the revenues for the social investment (i.e. hospitals and schools). As the report from Jubilee Debt Campaign (2018), Chinese lending accounted 20 percent of African’s external debt, and the data from CARI indicated that China’s oversea lending in SSA shared 24 percent of the regional total external debt in 2018. In addition, 5 out of 44 SSA countries are in debt difficulty, instead of debt crisis (CGTN, 2021). A research from Christensen (2004) shows that the domestic debt in SSA “presents the same burden” as the external debt. What is more, most of the debt belongs to the Euro based bonds from financial market (International Development LSE, 2020a; Paulson Institute, 2019). All the research above turned out to debunk the accuse that China’s loan led to the spiraling debt and debt service problems in SSA.

Some researchers believe that external borrowing have a negative relationship with the economic growth (Dey and Tareque, 2020; Senadza, Fiagbe and Quartey, 2017; Reinhart and Rogoff, 2010; Were, 2001; Deshpande, 1997; Fosu, 1996; BOURNE, 1981), while is those results also generally appliable for SSA countries? Will the growth of SSA countries with Chinese debt slower than the other regions?

According to the data from World Bank Database (shown in Figure 4.1), the economic growth in SSA region fluctuated between 2000 and 2019 as the trend of other regions. Its economic growth captured an average rate about 4.35 in that period, which is higher than the average annual GDP growth rate of Latin America & Caribbean and Europe & central Asia, with the average annual growth rate of 2.52 and 4.31 respectively. SSA region receiving Chinese loans captured a positive growth rate.

Figure 4.1 Average Annual GDP Growth Rate in Different Region (2000-2019)



Note: high income countries are excluded.
Source: World Bank

The Hambantota Port project is the widely used example for the publics to support the alleged fact that Chinese lending is aiming to lure the poor nations with unaffordable loans, China can take over the strategic assets when the borrowing countries default. Did China's lending result in the default of Sri Lanka's debt repayment for Hambantota Port? In the next section, the study will discuss this question and dig into the causes of Sri Lanka's indebtedness and default.

4.2 The Case of Sri Lanka Hambantota Port

Sri Lanka is always an example for the western world to blame China's oversea lending as a debt trap. The Hambantota Port is the case for most medias to accuse that China is using its loans to achieve its debt diploma goals, and the story is about the debt burden is increasing because of the easy Chinese financing, their assets will be hand over when they are default, but this narrative remains problematic.

Some scholars argued that China knew that Colombo was facing the debt distress, but still provide the loans to Sri Lanka to rebuild the port, because Beijing want to seize the sovereignty of the Hambantota port, when Sri Lanka default (Brahma Chellaney, 2017; Parker and Chefitz, 2018; Parker and Chefitz, 2018a;). However, this perspective is not true, the debt problem of Sri Lanka has little to do with Chinese financing.

First of all, the external debt of Sri Lanka had accumulated for a long time. According to the data shown in Figure 4.2, the external debt of Sri Lanka captured an increasing trend, its external debt stocks level was below $10 billion. Which sounds affordable, however, the external debt to GDP ratio kept in a very high level most of the years in that period, the peak took place in 1988, which climbed to 75%. The average external debt to GDP ratio of Sri Lanka remains in 51% from 1970 to 2019.

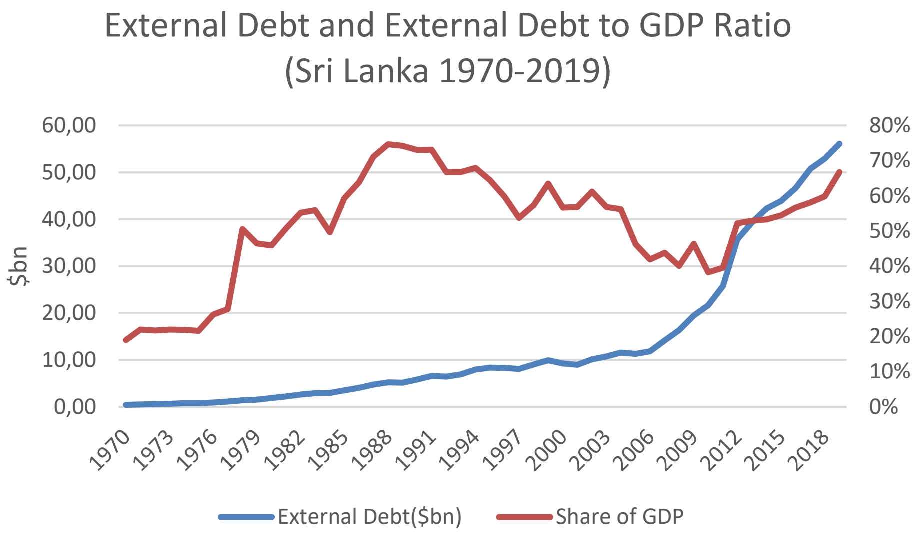
The reasons for its accumulative external debt are complicated. Sri Lanka was under a 30-year civil war before 2009, which made it hard to focus on its reconstruction and economic growth, but then Sri Lanka's economic experienced a slow growing period in the past ten year, due to the domestic peace (The World Bank,2020). The civil war lasted for three decades, which comes with a significant military expenditure and low FDI during that period. The long-time deficit and low foreign exchange reserve, combined with the high international commercial borrowing push Sri Lanka to turn to IMF to seek bailout to serve the interest of previous accumulated loans, (Central Bank of Sri Lanka, 2011a; East Asia Forum, 2019), the high interest rate borrowing from international commercial market makes the "Snow Ball" bigger, and most of the government revenues are allocated to repay the interests of the external debt, this also crowded out the resources for the public investment. The labor-intensive industries did not benefit for the GDP significantly, such as textile.

Secondly, according to Lakshman (2020), the governor of Sri Lanka, the external non-concessional debt to GDP ratio is 23 percent and the external debt service payment accounts 12 percent of the export earning, together with the preference of domestic debt to finance the deficit, which will make the external debt repayment manageable. What's more, according to the spokesperson of Chinese embassy in Sri Lanka, Chinese loans are not the main debt burden in Sri Lanka's public debt. Since loan balance from China accounts only 10.6 percent of Sri Lanka's total external debt, in which the concessional loans amounted to 61.5 percent (Luo Chong in Xinhuanet, 2018; East Asia Forum, 2019).

Thirdly, the Hambantota port was proposed by the former president of Sri Lanka Mahinda Rajapaksa, Sri Lanka's government turned to India firstly for the construction, but India refused to build it (Xu, 2019). According to the speech from D. Brautigam in an online talk, named Cutting Edge Issues: Panel on China in Africa (2020a), Canada was interested in this project, and did a comprehensive feasibility analysis on this port in 1999, as well as the financing plan, however, this plan was left unsettled because of the leadership shuffle. When the project restarted one Chinese company got the contract and Canadian government proposed a joint venture public-private partnership (PPP) by then. However, Sri Lanka government decided to operate the port by themselves, and the new government faced a balance of payment crisis. At the end, Sri Lanka government decided to sell 70% share of the port to China in order to handle the BoP crisis, which are based on its European bond borrowing, instead of lending from China, the operation of the port step into PPP model at the end as Canadian government proposed initially (International Development LSE, 2020a). The only different point is one of the Chinese largest construction company got the share instead of Canadian government.

MACAN-MARKAR (2019) further noted that China's loans share about 15 percent of Sri Lanka's external debt, it was equal around $53 billion by the end of 2018. The largest share of its foreign loan is the international dollar-denominated bonds, which amounted for 50 percent, followed by Japanese loans, the ADB and the world Bank.

Figure 4.2



Source: World Bank

4.3 What A Real Debt Trap Looks Like

The “debt trap” diplomacy is used by the public to accuse that China lend to the developing countries that cannot afford to pay back to finance the infrastructure in order to seize the assets as loan collateral and achieve its strategic goals (Parker and Chefitz, 2018b). However, this is simply incorrect. Chinese loans consist with commercial and non-commercial parts, the non-commercial loans are implemented by commercial banks, policy banks and state-owned companies, they are highly focusing on the repayment ability of the potential borrowers and their issued loans are expected to repay with interest (Gardner et al., 2020). Then what a real debt trap looks like? This section will illustrate what is a real debt trap by studying on the IMF and World Bank lending with specific historical cases.

The indebtedness of the developing countries has aroused the global attention, especially after the financial crisis in 1970s. Developing countries started to seek new loans for the debt service, most of them turned to IMF and World Bank, which are controlled by United States and British government. The debt trap formular was copied by IMF and World Bank from the British Empire to loot the nations by providing them unpayable loans (Askary and Ross, 2018), they subordinate the borrowers by debts and interfere the policy decisions to obtain what they really want (Toussaint, 2020).

Due to the low international credit rating in Africa, most of the countries in the continent faced difficulties to borrow from commercial banks, this situation forced them to borrow from IMF (Parfitt and Riley, 1986). The role of IMF among African’s debtors has been increased in Africa after issuing massive loans in this continent, with the lending of $400 billion in 1979 to $1600 billion in 1985 (ibid.). When the African countries gratified with this generous messiah, the picture changed. The conditionality of loans became much harsher, from 2 to 21 between 1978 and 1981(Helleiner, 1983), which normally includes “public-spending cuts, devaluation, liberalization of import and exchange control, and a hospitable attitude to foreign investment” (Helleiner, 1983: p.522). Pakistan is a typical victim of IMF debt trap, after the repeated borrowing from IMF in 1980s, Pakistan starts its privatization at the same time, its loans owned by IMF soared from $20.9 billion in 1990 to $99.1 in 2019 (Ghazali, 2019). More than 160 state-owned entities have been sold since 1980, thousands of people lost their job, instead of getting rid of the debt, the debt deterioration of Pakistan is still carrying on(ibid.). Is Pakistan an only case? The answer is no. Before Pakistan, Egypt can be identified as an earlier victim of the debt trap template, the British and its allies provided massive debt to Egypt in 19 Century, and even provided loans for Egypt to serve its old debt, but in high interest rates, Egypt had no choice but borrowing from British banks at that time, the story ended up with the loss of sovereignty of policy decisions in Egypt government (Askary and Ross, 2018). While the consequences of losing the policy sovereignty haunt the later generations. A news published in Middle East Monitor described the expansion of "used food" market in Egypt recent years, due to the loan agreement with IMF, Egypt is forced to implement the economic reforms to cut the subsidies, then the price of goods and energy are soaring, residents cannot afford the food in the normal market, so they turn to the "used food" market for their basic necessities, even though some of the foods are unpacked, some of them may be expired (Middle East Monitor, 2019).

The formular of a debt trap looks the same, let's move to what World Bank did for developing countries in 1980s. World Bank offered tremendous loans to developing countries in 1970s, but the interest rate was risen by US at the end of 1979 along with the drop of commodities price, the drop of oil price and the high interest rate made the oil exporting countries in a debt repayment crisis, the developing countries lost huge revenues, which resulted in the further borrowing from World Bank, even the new loans are more expensive (Toussaint, 2020).

Egypt and Pakistan experienced the same process, IMF, the Bretton Woods institution, provided loans to them to meet their financial requirements, then provided more debt for them to serve the old ones with high interest rates, it seems that the borrowing countries were repaying their debts, but they are not free from debt. Instead, the debts are overhang and the recipient countries are shackled by the creditors. The story is never ended, once the creditors "moved into" the office of the borrowing government, public-spending cuts, high-cost import and exchange control follow, all the preferential policies will serve for the creditor, rather than the borrower.

4.4 Concluding Remarks

Critics address that China's loan is a debt trap for the developing countries, while publics are always overestimate the amount of Chinese share of Africa's external debt stocks. Chinese loans in SSA are not spiraling out the revenue to serve the debt, since Chinese share 20 percent of Africa's total external debts, and only 5 out of 44 SSA countries are in debt difficulties (CGTN, 2021). Most of the external debt is Euro-based bonds from the financial market. There are some so-called evidences indicated that China shackled the nations by using its "debtbook diplomacy". Hambantota Port is the example out of thousands projects the public used to accuse Chinese overseas lending. However, the construction of the port was proposed by the former president of Sri Lanka. Most importantly, Chinese loans shares only 15 percent of Sri Lanka's external debt stocks in 2018, the major debt of Sri Lanka came from the dollar-denominated bonds.

What Egypt and Pakistan experienced in the past could be considered as a debt trap, the western creditor provided the unaffordable loans to the poor countries and again offered them loans in a higher interest rates to serve their old debt. Meanwhile, the western creditors interfered the economic policies of the recipient countries, forced them to implement the reforms they do not want to. The story ended up with the sovereign loss of the borrowers.

Chapter 5 A Way Rather Than A Trap

There are plenty of medias and researchers argued that foreign borrowings cannot bring economic growth, instead, it would burden the debt distress of the developing countries, and then the poor countries have no choice to sell or hand over their assets or by selling their primary materials to serve the external debts once they cannot pay the loans back. China is accused by the western world that China is using its debt trap diplomacy by providing massive oversea lending to developing countries. Which will damage the economic growth of that region. This chapter will explore whether the loans from China to SSA countries do good to the economic growth of SSA. This chapter will be organized by fourth sections, the first section will diagnose the bottlenecks of SSA economic growth. The second section will identify the differences of Chinese overseas lending. The third section is going to illustrate why and how loans with Chinese characteristics can complement the shortcomings of SSA economic development, and further benefit the regional economic growth. A conclusion will be drawn in the fourth section.

5.1 The Bottleneck of SSA Economic Growth

Poor transportation system and low access to electricity in SSA constrain the modern economic development of SSA ((Blimpo and Cosgrove-Davies, 2019; Njoh, 2000). In order to promote the regional economic growth, SSA should overcome these two shortcomings. Fortunately, Chinese loans are mainly financing the infrastructure in SSA.

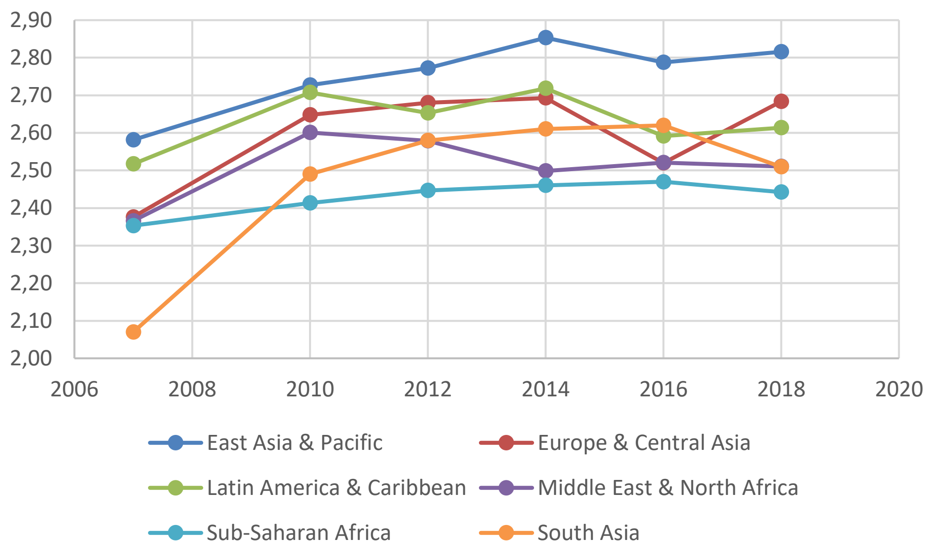
The report Africa's pulse from World Bank (2020) pointed out that in order to chart the road for the economic growth of SSA, scaling up the infrastructure investment should be put on the agenda. Since one of the key obstacles of the economic development in SSA is the shortage of infrastructure, especially transport and power sector (International Finance Corporation, 2014), in order to boost the regional economic growth, the infrastructure gap should be reduced. Low government revenue, domestic savings along with lack of foreign investment are the constrains of the infrastructure development (World Bank, 2020; World Bank, 2014; Calderon and Serven, 2010). Poor infrastructure impedes the development of most fields, for instance, the export, import, agriculture and industry.

First of all, poor domestic and external transportation network in SSA contributes to the high transportation cost in the region. A report from Teravaninthorn and Raballand (2008) noted that the transportation cost of the goods delivery in Africa ranks the first place all over the world. Rizet and Hine (1993) compared the road transportation cost of three SSA countries with Pakistan, they found that the transportation cost of that three countries was amounted to six times of which in Pakistan, and around 40 percent higher than in France. Again, a research indicated that "with a 10-percentage-point increase in transportation costs typically reducing trade volumes by approximately 20 percent" (Limao, 2001).

High transportation cost is a vital barrier for the business development and investment in the continent, which inhibits the regional economic growth. Importantly, even if the industry and agriculture of SSA have been developed, but the high transport cost will burden the cost of the goods produced in SSA. In addition, the poor logistic will reduce the competitiveness of the local firms (Arvis, Raballand and Marteau, 2010). Teravaninthorn and Raballand (2008) further illustrated that the main cause of the high road transportation cost in SSA is the poor road conditions. “only 43 percent of the roads in Africa are paved and, 30 percent of all the paved roads are in South Africa” (Gyude Moore in Paulson Institute, 2019). The low-quality roads damage the vehicles, shorten the life expectancy of tires, increase the consumption of fuels and “reduce the vehicle utilization”. Most importantly, the landlock cost is significant in terms of economic development (Arvis, Raballand and Marteau, 2010). As Figure 5.1 shows that, the overall logistic performance in SSA is almost the lowest one among East Asia& Pacific, Europe & Central Asia, Latin America& Caribbean, South Asia and Middle East &North Africa between 2000 and 2018. The logistic performance of SSA was caught up with South Asia after 2008 (the data of 2009 is missing), after that, SSA became the poorest logistic performance region among the above areas.

Developing countries, especially landlocked ones (almost one out of three in SSA region) tend to have the following shortcomings in terms of poor transportation, i) transportation cost in landlocked countries, which will lower the competitiveness of the countries in the world market; ii) low transportation efficiency and reliability will increase the cost of import and export; iii) foreign investors would be negatively attracted by the investment environment. While Chinese loans allocated to transportation (i.e. roads, railways and airports) in SSA share 30.9 percent of the total loans. This meets the thirsty of transportation needs in the future development in the region.

Figure 5.1 Overall Logistic Performance in Different Regions



Note: High income countries are excluded.
Source: World Bank

Another sector affected by poor infrastructure is power sector. Teravaninthorn and Raballand (2008) pointed out that “only 25 percent of Africans have access to electricity”. Ten years later, another report indicated that only about half of the population in SSA have access electricity, which accounts about 600 million people roughly (IEA, 2018). Low energy access strangles the economic growth in SSA (World Bank Group, 2017b; Sokona, Mulugetta and Gujba, 2012). Despite the low electricity access, the cost of electricity in Africa is also on top of the world. To promote the economic development in SSA, $141 billion have to be invested in the power sector in SSA in the between 2019 and 2028(Nhede, 2019). Blimpo and Cosgrove-Davies (2019 further noted that the study extracted 25 out of 29 countries' data to estimate the proportion of the firms with reliable electricity supply, the outcome shows that more than two-third of the firms experience the shortage of reliable electricity(ibid). Poor electricity condition put significant constrains on the economic growth, since it has negative impacts on producing activity, Blimpo and Cosgrove-Davies (2019) studied the data from the firms and the results showed that every percentage point in the frequency of electricity outages happened, the output decreased by 3.3 percent, in other words, the electricity outages lowered the profits of the producing activities. According to the data extracted from CARI, the amount of Chinese loans to SSA distributed to power (energy) ranked the second place from 2000 to 2018, just came after the amount of transportation, with the number of 25.87percent. The power plants, dams and other power projects funded by Chinese loans can narrow the gap of power supply in SSA region.

Odarno (2020) indicated that the poor electricity access resulted in poor communication or interaction on the service sector. Data from World Bank shows that service accounts more than 48 percent of the GDP in SSA, poor electricity constrains the communication of the service, which will lower the efficiency of the economic activities or public services, since lack of reliable electricity will negatively affect the communication signals and interrupt the public connection.

Poor electricity access and logistic performance impede the modern industrial development in SSA, the region should learn from China and the West to invest in the infrastructure (roads, railways, ports, airports, power plants etc.) to provide the foundation and investment environment for industrial development and the investors. Loans with Chinese characteristics happened to complement the needs of fund in SSA. But is it a real that Chinese loans can meet the needs of SSA? In the next section, the study will analyze the differences of Chinese loans and why it will meet the needs of SSA in terms of overcoming the bottlenecks of SSA countries.

5.2 Why China's Loans Are Different?

China's returning to Africa has caused a controversial debate around the world. Some scholar argued that Chinese oversea lending in developing countries is also "the essence of colonialism" (Sanusi, 2013), however, this is not true. Chinese oversea lending is different from the West, the characteristics of Chinese oversea lending will be explained in this section.

To begin with, the actual amount of Chinese oversea lending in SSA maybe lower than the number published by the media. Chinese president Xi announced that China will pledge $60 billion in aid and loan to Africa to support its development, the funds will be mainly allocated in the infrastructure sector (Fifield, 2018). However, it is questionable that whether this number will be implemented totally or not, since Brautigam and Hwang (2019) pointed out that some of the commitment of loans for projects has been made but without implement, so the actual number would be lower than the announced one. The accuse from the public that Chinese loans caused the heavy indebtedness of SSA is problematic.

Secondly, Chinese loans are based on the principle of mutual benefits, and without conditions. Chinese oversea lending is mainly executed by Eximbank and CDB, according to the data from CARI, Chinese loans to SSA captured the same trend as to Africa, loans from China to SSA reached its peak in 2016, with the amount of $ 26.36 billion, and then dropped after that. Eyssen （2018） argued that Chinese oversea lending is "easy money", since there is no condition attached, as long as the recipient countries recognize "One China" policy. Chinese oversea lending is based on the principal of mutual benefit, and it comes without any condition (Kjøllesdal and Welle-Strand, 2010). The origin of the principal of Chinese oversea lending can be traced back to 1955 with the "Five Principles for Peaceful Coexistence", proposed by Zhou Enlai (ibid). Chinese loans come without any condition, instead of the burdensome and ill-suited economic reforms, such as open the markets, cutting down the government subsidies, and privatization management (gga_ad, 2017), China insists the "non-interference" policy in its oversea lending (Hanauer et al., 2014; Aidoo and Hess, 2015) no matter the macroeconomic management or the domestic political issues of the recipient countries, which makes Chinese foreign loans different from the loans from World Bank and IMF.

Thirdly, Chinese oversea financing is willing to invest in infrastructure, industry and agriculture sectors, those are what western financing is unwilling to invest. (Ayodele and Sotola, 2014). Chinese oversea lending is mainly in forms of export credits and loans for infrastructure, while loans from the west are mainly in the way of cash and materials transfer (Pham, BELLO and BARRY, 2018). What is more, Chinese loan is faster and more flexible, according to Figure 3.8, more than 30% of Chinese loans in SSA are allocated to transportation from 2000 to 2018, which are mainly used for developing the roads, railways and airport, with the 44 percent, 32 percent and 11 percent out of the total transportation lending respectively. While compared with World Bank, its oversea lending in Africa is mainly concentrated on the sectors of energy and extractive, and public administration, with the share of 19 percent and 24 percent out of the total financing in 2018.

One final point, Chinese loan is along with longer repayment maturities and competitive interested rate. Brautigam (2009) pointed out that most of Chinese official loans come with the maturity of 12 to 15 years with a grace period of 2 to 5 year, what is more, the interest rates are also competitive. For instance, Eximbank, as the largest creditor in SSA, implemented the major overseas loans to SSA, it provided the loans with an average interest rate of 3.1 percent and an average maturity of 13 years in SSA (Foster, 2009).

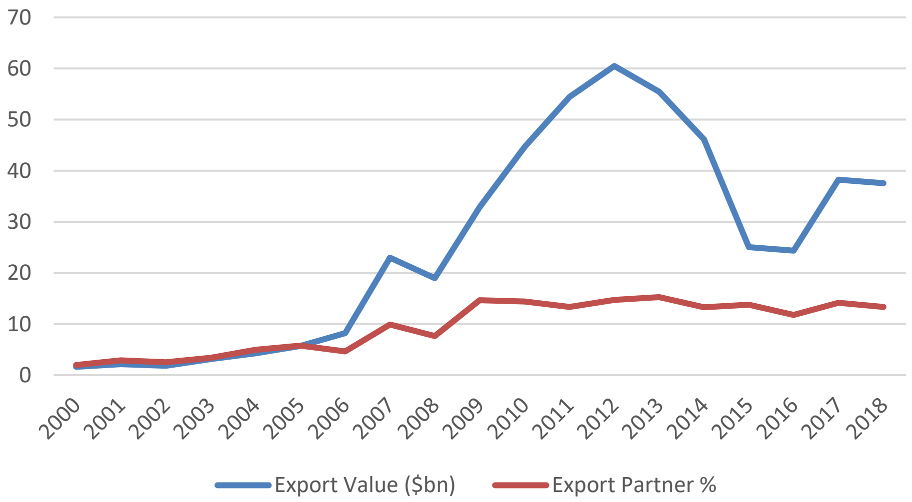
The loans from China happened to be the convenient and fastest financial sources for SSA, when most of them have difficulties to borrow from other multilateral financing institutes in term of efficiency and the possibility to obtain the loans (Eyssen, 2018). Chinese generous and easy loans remain a controversial debate in the public, whether Chinese loans benefitted SSA countries catch the public attention. In the next section, the study will explore whether or not Chinese loans benefitted the economic growth in SSA.

5.3 The "Dragon's Fruits"

Chinese loans are good or bad for SSA still remain controversial in the public, as Chinese rising engagement in SSA, Chinese financing activities in SSA draw a considerable public attention in the recent decades. Some scholars hold a negative attitude towards Chinese foreign loans in developing countries (Horn, Reinhart and Trebesch, 2019; Horn, Reinhart and Trebesch, 2020; Wheatley and Cotterill, 2020; Isilow, 2018). They believed that Chinese massive "hidden" loans will burden the indebtedness of the developing countries, which will further inhibit the regional economic growth. Conversely, admirers argued that Chinese loans fill the gap between saving and investment (Quak, 2018; Angmortey and Tandoh-Offin, 2014; Senadza, Fiagbe and Quartey, 2017), Chinese lending can ease the pressure of capital shortage in the public investment, which provide the foundation for economic growth. In this section, the study will analyze why the economic growth of SSA countries benefitted from Chinese loans in terms of the trade, business, FDI, employment, technical transferring and efficiency.

First of all, unlike the traditional lender from the west, Chinese loan to SSA countries is along with business and economic cooperation with SSA. As aid cannot bring economic development, but investment and trade do (EM, 2018; Glennie and Sumner, 2015), China Eximbank's export buyer's credits and strategic packages, the equity finance instruments (CAD Fund) and development finance loans from CDB are all related to Chinese overseas business (Bräutigam, 2011). According to the data from WITS, the exported goods and services from SSA countries to China increased dramatically from $1.6 billion in 2000 to $37.6 billion in 2018 and SSA's export value in China reached its peak in 2012, with the amount of $60.48 billion (shown in Figure 5.2) and China's export partner share in SSA captured an upward trend in the same period and surpassed the amount of US in 2009. Increased export volumes of SSA, further promote the foreign reserves of SSA countries.

Figure 5.2 SSA Export Value and China's Export Partner Share in SSA (2000-2018 $bn)

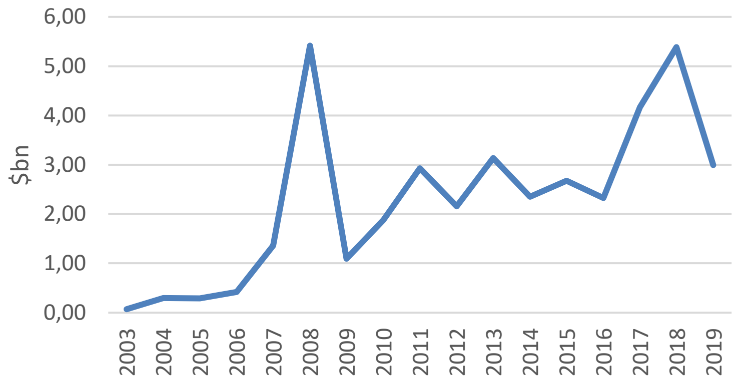


Source: WITS

Figure 5.2 also somehow reflects that because of the Tariff and quota-Free Entry for African least developed countries, promised by Chinese former leader Wen Jiabao in 2003, African countries obtained the favorable conditions to export products to China. A list of 190 products announced in 2005, which was extended to 440 commodities in 2006. By that time, Exports from SSA to China soared. China's Minister of Commerce mentioned that the program had exempted $ 680 million in tariff to more than 30 countries.

Secondly, SSA countries benefited from the dragon's FDI. Figure 5.3 illustrates that Chinese FDI flow to SSA countries shows an upward trend in general. China draws up various plans and incentives to encourage the companies to go overseas to seek the development opportunities and international markets for their products and services. After the Chinese former president Jiang Zemin put “go global” policy in the vital strategic position of the country in 2000. That is why Chinese FDI flow to SSA increased dramatically between 2003 and 2008. While the global financial crisis in 2008 resulted in an unstable investment environment in SSA, which led to the decline of FDI from 2008 to 2009.

Figure 5.3 China-Africa FDI, Flow (2003-2019)



Source: CARI

Jeffrey Sachs, a top UN adviser believes that China will contribute to the reduction of poverty in Africa, he indicated in a report from the Embassy of PRC in South Africa (2006) that “China gives fewer lectures and more practical help.” China is using its own way to drive the economic growth in SSA. China’s foreign investment in 2005 surpassed those of mining, and China is laying the industrial foundation in Africa (Brautigam ,2009) by various ways, for instance, economic zones and equity fund (China-Africa Development Fund). The government pledged grants and tax rebates to encourage Chinese companies invest overseas. The relocation of Chinese industrial companies also brings a huge opportunity for SSA countries. It is estimated that the transferring of 1 percent of Chinese cloth production to Africa will promote the production and export of clothing by 47 percent and, “A 5 percent shift of Chinese export-related investments in the industry could translate into $5.4 billion in additional exports.” (Justin Lin in Altenburg, 2019).

The economic zones will create jobs for the locals to do the productive activities. Ethiopia benefited from its previous industrial zones, now it attempts to build 30 more industrial zones by 2020, the industrial zones in Ethiopia had create more than 28,000 jobs so far (Altenburg, 2019). It is also reported that the economic zone in Chambishi employed about 4000 workers, in which around 80 percent are local workers (Brautigam, Farole and Xiaoyang, 2010). Jayaram, Kassiri and Sun (2017) also wrote in a report from Mckinsey that the 80 percent employees of those Chinese firms are African, scaling up to around 300000 jobs for Africans. In addition, two third of Chinese employers provides training to their workers(ibid), which sometimes could be considered as technical transfer. The transportation projects also provide job opportunities for local workers, for instance, it is estimated that more than 3000 jobs will be provided by Addis Ababa-Djibouti Railway (China Daily, 2018).

In the 7th Forum on China-Africa Cooperation (FOCAC), training has been mentioned more than 40 times, it indicates that the knowledge and skills are in adequate in the continent for its industrialization. Chinese loans may not directly bring tech transferring, while the FDI along with loans does. And from the database of CARI, we found that the communication projects funded by Chinese loans in SSA implemented by some private companies, such as Huawei and ZTE. Those private companies transfer the technological knowledge and skills when they got the subsidiaries overseas, since they need to train the local workers. Take Huawei as an example, Tugendhat (2020) studied that Huawei succeeds in Africa by training and knowledge transfers to Kenya and Nigeria. The report (ibid) noted that Huawei trained more people than its competitors in the early 2000, the report pointed out that Huawei invest heavily in training and trained many young engineers to meet its growth. It is estimated that Huawei trained around 1000 people in 2017, some of the Kenyan lecturers were send to China to train for months about the new technologies. What is more, only Huawei has 8 training centers in Africa (seen in Table 5.1).

Table 5.1 Huawei's Training Centers in Africa

City	Country	Established Year
Abuja	Nigeria	2004
Cairo	Egypt	2005
Tunis	Tunisia	2006
Nairobi	Kenya	2008 and 2017
Johannesburg	South Africa	2008
Luanda	Angola	2008
Kinshasa	DRC	2012
Rabat	Morocco	2012

Source: Tugendhat (2020), Table 5.

Chinese government promised to pledge provide Africa with "50,000 government scholarships and 50,000 training opportunities for seminars and workshops", as well as inviting 2000 students to join the exchange program in China (Nakkazi, 2018).

Loans and investments in transportation improved the reliability and efficiency of the logistic in the region. An existing example is the Addis Ababa-Djibouti Railway, it reduces the transporting time from 7 days by road to 10 hours by train (China-Africa Trade Research Center, 2020), and the cost of goods transporting has been reduced 30 percent (China Daily, 2018).

5.4 Concluding Remarks

Plenty of research have been done to estimate whether Chinese oversea lending truly benefits for Sub-Saharan African countries' economic growth or not. To answer this question, this chapter analyzed the obstacles of the economic growth of SSA in the first section. The poor logistic performance and electricity access in SSA inhibit the development of modern economy.

The second section studied the differences of Chinese oversea lending. China's loan to SSA region is always overestimated due to its opacity. Data from CARI shows that most of the loans are distributed to the infrastructure (30.9 percent for transportation and 25.87 percent for power). This is what SSA countries are thirsty to, in order to promote the local economy. The improvement of transportation and power access increased the efficiency of productivity and, lowered the cost of the products as well. China’s overseas financing come with no conditions and based on the mutual principle. Evidence shows that China’s loan comes with a longer repayment maturities and competitive interested rate.

The third section analyzed that whether or not the growth of SSA countries benefited from Chinese loans. Data and cases showed that China loans and the cooperation along with loans did benefit SSA’s economic growth. China’s overseas lending promote the export volume of SSA countries and the FDI from China also increased the regional growth. Loans and FDI from China not only brought the Tech (knowledge) transfers, which is beneficial for the development of the modern industry in the region, but also create more jobs for the locals. The last point is the investment in transportation in the region reduce the logistic cost dramatically.

Chapter 6 Conclusion

The previous chapter demonstrated the loans from China to SSA is beneficial for the SSA countries to promote its economic growth. This chapter is going to draw a conclusion of the study.

The focus of this paper is Chinese overseas lending in SSA countries, the study explored that whether Chinese financing in SSA is a trap or it is a way for SSA countries to spur its economic. It has been noted in the introduction that due to the opaqueness of the Chinese overseas loans, the attitudes towards it are various. This paper extracted various of data sources from multiple data bases, and applied secondary data analysis, descriptive statistic along with case study to demonstrate the research questions.

One of the findings of this study is that unlike most of the views from the commentators, China's loan is not a "debt trap". First of all, only five countries are facing debt crisis in SSA, the rest of SSA countries are not, what is more, China lending in SSA countries accounts only 20 to 24 percent of the total external, most of the external debt stocks in SSA are euro-based bonds from the financial market. Secondly, China is not luring the developing countries by unaffordable loans, Chinese creditors are more cautious about the risk of lending in developing countries. Thirdly, rarely evidence shows that China's overseas lending is aiming to seize the assets from the borrowing countries, commentors use Hambantota port to claim that China's real purpose is seizing the assets from the recipient countries when they are default. However, this example is problematic. First of all, the construction of the port was not proposed by Chinese government. Secondly, lack of port management skills and networks led to the deficit of the port.

Rather to say Chinese financing in SSA is a trap, it is better to address that China is using its own experience learned from the engagement with Japan in last century. Chinese loans are mainly allocated to the infrastructure in SSA, unlike the Western or multilateral creditors, Chinese loans come without interference conditions. Loans from China to SSA based on the mutual principle with longer maturities and competitive interest rates. All those characteristics complement the demands of SSA countries.

Chinese overseas financing in SSA is not a debt trap, instead it brings the opportunity and economic benefits to the region. The loans fill the gap between the domestic saving and public investments. Chinese lending comes with business cooperation and FDI, which will promote the regional export and FDI from China boost the local economic growth, further, FDI attracts the investments, which will bring companies and jobs. The foreign companies and Chinese foreign lending bring the knowledge and skill transfers, which will beneficial for the preparation of future modern industry.

References

Abi-Habib, M. (2018). How China Got Sri Lanka to Cough Up a Port. *The New York Times*. [online] 25 Jun. Available at: https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html [Accessed 15 Jan. 2021].

Abi-Habib, M. and Bradsher, K. (2020). Poor Countries Borrowed Billions from China. They Can't Pay It Back. *The New York Times*. [online] 18 May. Available at: https://www.nytimes.com/2020/05/18/business/china-loans-coronavirus-belt-road.html [Accessed 27 Nov. 2020].

Aidoo, R. and Hess, S. (2015). Non-Interference 2.0: China's Evolving Foreign Policy towards a Changing Africa. *Journal of Current Chinese Affairs*, 44(1), pp.107–139.

Altenburg, T. (2019). *Migration of Chinese manufacturing jobs to Africa: Myth or reality?* [online] Brookings. Available at: https://www.brookings.edu/blog/africa-in-focus/2019/03/05/migration-of-chinese-manufacturing-jobs-to-africa-myth-or-reality/#:~:text=So%20far%2C%20parks%20have%20successfully [Accessed 17 Jan. 2021].

Angmortey, B.N. and Tandoh-Offin, P. (2014). Does Foreign Capital Crowd–Out Domestic Saving in Developing Countries? An Empirical Investigation of Ghana. *International Journal of Economics and Finance*, 6(8).

Arvis, J.-F., Raballand, G. and Marteau, J.-F. (2010). *The Cost of Being Landlocked Logistics Costs and Supply Chain Reliability*. [online] Available at: http://unohrlls.org/custom-content/uploads/2017/06/558370PUB0cost1C0disclosed071221101.pdf [Accessed 22 Dec. 2020].

Askary, H. and Ross, J. (2018). *Why China's 'Debtbook Diplomacy' is a Hoax | The Schiller Institute*. [online] schillerinstitute.com. Available at: https://schillerinstitute.com/why-chinas-debtbook-diplomacy-is-a-hoax/ [Accessed 26 Nov. 2020].

Ayadi, F.S. and Ayadi, F.O. (2008). *THE IMPACT OF EXTERNAL DEBT ON ECONOMIC GROWTH: A COMPARATIVE STUDY OF NIGERIA AND SOUTH*

AFRICA. [online] citeseerx.ist.psu.edu. Available at: http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.516.4833&rep=rep1&type=pdf [Accessed 7 Oct. 2020].

Ayodele, T. and Sotola, O. (2014). *China in Africa: An Evaluation of Chinese Investment*. [online] *IPPA Working Paper Series*. Available at: https://ippanigeria.org/articles/China%20-Africa%20relation_Workingpaper_final.pdf [Accessed 19 Dec. 2020].

Battaile, B., Hernández, F.L. and Norambuena, V. (2015). *Debt Sustainability in Sub-Saharan Africa : Unraveling Country-Specific Risks*. [online] engine.surfconext.nl. Available at: https://openknowledge-worldbank-org.eur.idm.oclc.org/handle/10986/23622 [Accessed 2 Nov. 2020].

Blimpo, M. and Cosgrove-Davies, M. (2019). *Electricity Access in Sub-Saharan Africa Uptake, Reliability, and Complementary Factors for Economic Impact*. [online] Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/31333/9781464813610.pdf?seq [Accessed 25 Dec. 2020].

BOURNE, C. (1981). GOVERNMENT FOREIGN BORROWING AND ECONOMIC GROWTH: THE JAMAICAN EXPERIENCE. *Social and Economic Studies*, [online] 30(4), pp.52–74. Available at: https://www.jstor.org/stable/27861964?seq=19#metadata_info_tab_contents [Accessed 25 Nov. 2020].

Brahma Chellaney (2017). *China's debt-trap diplomacy | The Strategist*. [online] The Strategist. Available at: https://www.aspistrategist.org.au/chinas-debt-trap-diplomacy/ [Accessed 13 Nov. 2020].

Brautigam, D. (2009). *The dragon's gift : the real story of China in Africa*. Oxford England ; New York: Oxford University Press.

Bräutigam, D. (2011). *NorwegiaN iNvestmeNt FuNd For developiNg CouNtries China in afriCa: What Can Western Donors Learn?* [online] Available at: https://www.norfund.no/archive/Bilder/Publications/Norfund_China_in_Africa.pdf [Accessed 17 Jan. 2021].

Brautigam, D. (2019). A critical look at Chinese 'debt-trap diplomacy': the rise of a meme. *Area Development and Policy*, 5(1), pp.1–14.

Brautigam, D., Farole, T. and Xiaoyang, T. (2010). *China's Investment in African Special Economic Zones: Prospects, Challenges, and Opportunities*. [online] engine.surfconext.nl. Available at: https://openknowledge-worldbank-org.eur.idm.oclc.org/bitstream/handle/10986/10202/536820BRI0EP50Box345623B001PUBLIC1.pdf?sequence=1&isAllowed=y [Accessed 17 Jan. 2021].

Brautigam, D., Huang, Y. and Acker, K. (2020). *Risky Business:New Data on Chinese Loans and Africa's Debt Problem*. [online] Available at: https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/5efe4a22e6756c5da0a5917d/1593723426976/BP+3+-+Brautigam%2C+Huang%2C+Acker+-+Chinese+Loans+African+Debt.pdf [Accessed 31 Dec. 2020].

Brautigam, D. and Hwang, J. (2016). *EASTERN PROMISES: NEW DATA ON CHINESE LOANS IN AFRICA, 2000 TO 2014*. [online] Available at: https://foreignpolicy.com/wp-content/uploads/2018/06/96909-easternpromisesv4.pdf [Accessed 25 Oct. 2020].

Brautigam, D. and Hwang, J. (2019). *CHINA-AFRICA LOAN DATABASE RESEARCH GUIDEBOOK*. [online] Available at: https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/5d1cc758bb4a5800014dafa1/1562167129838/Guidebook+July+2019+Update+.pdf [Accessed 8 Jun. 2020].

Calderon, C. and Serven, L. (2010). Infrastructure and Economic Development in Sub-Saharan Africa. *Journal of African Economies*, [online] 19(Supplement 1), pp.i13–i87. Available at: https://academic.oup.com/jae/article/19/suppl_1/i13/679403 [Accessed 11 Oct. 2020].

Calderón, C. and Zeufack, A.G. (2020). *Borrow with Sorrow? The Changing Risk Profile of Sub-Saharan Africa's Debt*. [online] engine.surfconext.nl. Available at: https://openknowledge-worldbank-org.eur.idm.oclc.org/bitstream/handle/10986/33293/Borrow-with-Sorrow-The-Changing-Risk-Profile-of-Sub-Saharan-Africas-Debt.pdf?sequence=1&isAllowed=y [Accessed 15 Jan. 2021].

Central Bank of Sri Lanka (2011a). *60th Anniversary Commemorative Volume | Central Bank of Sri Lanka*. [online] www.cbsl.gov.lk. Available at:

https://www.cbsl.gov.lk/en/publications/other-publications/central-bank-of-sri-lanka-commemorative-volumes/60th-anniversary-commemorative-volume [Accessed 20 Dec. 2020].

CGTN (2021). *Is there really a debt crisis in Africa?* [online] YouTube. Available at: https://youtu.be/-NAnpb51edk [Accessed 15 Jan. 2021].

Chan-Fishel, M. and Lawson, R. (2007). Quid Pro Quo? China's Investment-for-Resource Swaps in Africa. *Development*, 50(3), pp.63–68.

Checherita-Westphal, C., Hughes Hallett, A. and Rother, P. (2013). Fiscal sustainability using growth-maximizing debt targets. *Applied Economics*, 46(6), pp.638–647.

Chenery, H.B. and Strout, A.M. (1966). Foreign Assistance and Economic Development. *The American Economic Review*, [online] 56(4), pp.679–733. Available at: https://www.jstor.org/stable/1813524?seq=1#metadata_info_tab_contents [Accessed 26 Nov. 2020].

China Daily. (2018). *中铁建：在非洲 46 国铺设过万公里铁路与城轨*. [online] Available at: https://baijiahao.baidu.com/s?id=1603843217666762163&wfr=spider&for=pc.

China-Africa Trade Research Center. (2020). *这些年，中国在非洲建设的铁路项目概览 - 中非贸易研究中心*. [online] Available at: http://news.afrindex.com/zixun/article12319.html [Accessed 25 Dec. 2020].

Christensen, J. (2004). Domestic Debt Markets in Sub-Saharan Africa. *IMF Working Papers*, 04(46), p.1.

Cohen, D. and Sachs, J. (1986). Growth and external debt under risk of debt repudiation. *European Economic Review*, 30(3), pp.529–560.

Coulibaly, B., Kapoor, K., Kararach, G., Nakata, R., Odero, W. and Odour, J. (2019). *Fiscal and Debt Sustainability in Africa*. [online] G20 Insights. Available at: https://www.g20-insights.org/policy_briefs/fiscal-and-debt-sustainability-in-africa/ [Accessed 27 Nov. 2020].

Debt Management Office Nigeria (2018a). *Category Outstanding Debt Percentage of Total*. [online] Debt Management Office Nigeria. Available at: https://www.dmo.gov.ng/debt-profile/external-debts/external-debt-stock/2761-nigeria-s-external-debt-stock-as-at-december-31-2018/file [Accessed 28 Dec. 2020].

Deshpande, A. (1997). The debt overhang and the disincentive to invest. *Journal of Development Economics*, [online] 52(1), pp.169–187. Available at: https://www.sciencedirect.com/science/article/abs/pii/S030438789600435X [Accessed 25 Nov. 2019].

Dey, S.R. and Tareque, M. (2020). *External debt and growth: Role of stable macroeconomic policies*. [online] Available at: https://www.emerald.com/insight/content/doi/10.1108/JEFAS-05-2019-0069/full/html [Accessed 25 Nov. 2020].

Dhruv Gandhi (2019). *Figure of the week: China's 'hidden' lending in Africa*. [online] Brookings. Available at: https://www.brookings.edu/blog/africa-in-focus/2019/07/10/figure-of-the-week-chinas-hidden-lending-in-africa/ [Accessed 16 Jan. 2021].

Domar, E.D. (1946). *Capital Expansion, Rate of Growth, and Employment*. [online] Oclc.org. Available at: https://www-jstor-org.eur.idm.oclc.org/stable/pdf/1905364.pdf?refreqid=excelsior%3A12ed2b76757454f006b94ac83fdc39e0 [Accessed 10 Oct. 2020].

Durbarry, R., Gemmell, N. and Greenaway, D. (1998). *New Evidence on the Impact of Foreign Aid on Economic Growth*. [online] Available at: https://www.nottingham.ac.uk/credit/documents/papers/98-08.pdf [Accessed 7 Oct. 2020].

East Asia Forum (2019). *Sri Lanka's debt problem isn't made in China | East Asia Forum*. [online] East Asia Forum. Available at: https://www.eastasiaforum.org/2019/02/28/sri-lankas-debt-problem-isnt-made-in-china/ [Accessed 20 Nov. 2020].

Easterly, W. (2001). *The Political Economy of Growth Without Development: A Case Study of Pakistan*. [online] Available at: https://williameasterly.files.wordpress.com/2010/08/9_-easterly_thepoliticaleconomyofgrowthwithoutdevelopmentpakistan.pdf [Accessed 27 Nov. 2020].

Eaton, J. (1993). Sovereign Debt: A Primer. *The World Bank Economic Review*, 7(2), pp.137–172.

Economy, E. and Levi, M.A. (2014). *By all means necessary : how China's resource quest is changing the world*. Oxford ; New York: Oxford University Press.

EFSAS (2017a). *The "New Great Game": China's Debt-Trap Diplomacy*. [online] www.efsas.org. Available at: https://www.efsas.org/publications/study-papers/the-new-great-game-chinas-debt-trap-diplomacy/ [Accessed 20 Oct. 2020].

EM, Prof.S. (2018). Kenya-China Trade Relations: A Nexus of "Trade not Aid" Investment Opportunities for Sustainable Development. *Journal of Economics and Development Studies*, 6(1).

Embassy of PRC in South Africa. (2006). *China could help lift Africa from poverty-UN adviser*. [online] Available at: http://za.china-embassy.org/eng/zt/thirdeye/t269084.htm [Accessed 18 Jan. 2021].

Eyssen, B. van (2018). *Double debt risk for African countries that turn to China | DW | 25.07.2018*. [online] DW.COM. Available at: https://www.dw.com/en/double-debt-risk-for-african-countries-that-turn-to-china/a-44819336 [Accessed 15 Dec. 2020].

Faye, B. and Ho, J. (2019). *Drowning in Debt? Understanding the Complexities of Sub-Saharan Africa's Sovereigns | Cleary Gottlieb*. [online] www.clearygottlieb.com. Available at: https://www.clearygottlieb.com/news-and-insights/publication-listing/drowning-in-debt-understanding-the-complexities-of-subsaharan-africas-sovereigns [Accessed 16 Jan. 2021].

Fifield, A. (2018). China pledges $60 billion in aid and loans to Africa, no 'political conditions attached.' *The Washington Post*. [online] 3 Sep. Available at: https://www.washingtonpost.com/world/china-pledges-60-billion-in-aid-and-loans-to-africa-no-strings-attached/2018/09/03/a446af2a-af88-11e8-a810-4d6b627c3d5d_story.html [Accessed 28 Nov. 2020].

Flynn, D. (2013). AFRICA INVESTMENT-China brings goods and roads, now Africa wants jobs. *Reuters*. [online] 21 Jul. Available at: https://www.reuters.com/article/africa-china-idUSL6N0FI3TE20130721 [Accessed 15 Jan. 2021].

Foster, V. (2009). *Building bridges : China's growing role as infrastructure financier for sub-Saharan Africa*. Washington, Dc: World Bank.

Fosu, A.K. (1996). *The Impact of External Debt on Economic Growth in Sub-Saharan Africa*. [online] Available at: http://www.jed.or.kr/full-text/21-1/5.pdf [Accessed 25 Nov. 2020].

Gamache, L. and Hammer, A. (2013). *USITC Executive Briefings on Trade CHINA'S TRADE AND INVESTMENT RELATIONSHIP WITH AFRICA*. [online] Available at: https://usitc.gov/publications/332/2013-04_China-Africa(GamacheHammerJones).pdf [Accessed 14 Jan. 2021].

Gardner, A., Lin, J., Morris, S. and Parks, B. (2020). *Bargaining with Beijing: A Tale of Two Borrowers*. [online] Center For Global Development. Available at: https://www.cgdev.org/publication/bargaining-beijing-tale-two-borrowers [Accessed 19 Dec. 2020].

George, S. (1992). *Uses and Abuses of African Debt*. [online] Transnational Institute. Available at: https://www.tni.org/my/node/11348 [Accessed 26 Nov. 2020].

gga_ad (2017). *China vs the IMF*. [online] GGA. Available at: https://gga.org/china-vs-the-imf/ [Accessed 18 Dec. 2020].

Ghazali, A.S. (2019). *Victim of IMF debt trap, Pakistan compelled to seek new loan*. [online] Countercurrents. Available at: https://countercurrents.org/2019/05/victim-of-imf-debt-trap-pakistan-compelled-to-seek-new-loan/ [Accessed 27 Nov. 2020].

Glennie, J. and Sumner, A. (2015). *Aid should be seen as foreign public investment, not just charity*. [online] the Guardian. Available at: https://www.theguardian.com/global-development/2015/aug/05/aid-should-be-seen-as-foreign-public-investment-not-just-charity [Accessed 16 Jan. 2021].

Green, P.M. (1999). *Preserving the integrity of the Jamaican financial system: The Challenges. Mimeo Research Department, Bank of Jamaica*. Green, P., 2004. Preserving the integrity of the Jamaican financial system: The Challenges. Mimeo Research Department, Bank of Jamaica.

Guillon, M. and Mathonnat, J. (2019). What can we learn on Chinese aid allocation motivations from available data? A sectorial analysis of Chinese aid to African countries. *China Economic Review*. [online] Available at: https://hal.archives-ouvertes.fr/hal-01777484/document [Accessed 27 Oct. 2020].

Hagen, A., Keleta, G. and Cade, M. (2004). *ARE FOREIGN LOANS GOOD OR BAD CHOLESTEROL IN THE ECONOMIC GROWTH OF HIGHLY INDEBTED POOR COUNTRIES? CORROBORATIVE EVIDENCE*.

Hanauer, L., Morris, L.J., Rand Corporation and Rand Corporation. National Security Research Division (2014). *Chinese engagement in Africa : drivers, reactions, and implications for U.S. policy*. Santa Monica, Ca: Rand Corporation.

Harrod, R.F. (1939). *An Essay in Dynamic Theory*. [online] Oclc.org. Available at: https://www-jstor-org.eur.idm.oclc.org/stable/pdf/2225181.pdf?refreqid=excelsior%3A8f502161e97ed1e88c7cc4f9825930f4 [Accessed 10 Oct. 2020].

Helleiner, G.K. (1983). The IMF and Africa in the 1980s. *Canadian Journal of African Studies / Revue Canadienne des Études Africaines*, 17(1), p.17.

Horn, S., Reinhart, C. and Trebesch, C. (2020). *China's overseas lending and the looming developing country debt crisis*. [online] VoxEU.org. Available at: https://voxeu.org/article/china-s-overseas-lending-and-looming-developing-country-debt-crisis [Accessed 19 Dec. 2020].

Horn, S., Reinhart, C.M. and Trebesch, C. (2019). *CHINA'S OVERSEAS LENDING*. [online] Oclc.org. Available at: https://www-nber-org.eur.idm.oclc.org/papers/w26050 [Accessed 19 Oct. 2020].

Hughes Butts, K. and Bankus, B. (2009). *China's Pursuit of Africa's Natural Resources Key Points China's economic growth has exceeded its domestic resource base and has made it dependent upon imports for critical*. [online] Available at: https://csl.armywarcollege.edu/usacsl/publications/CCS1_09_ChinasPursuitofAfricasNaturalResources.pdf [Accessed 30 Oct. 2020].

IEA. (2018). *World Energy Outlook 2018*. [online] Available at: https://webstore.iea.org/world-energy-outlook-2018 [Accessed 25 Dec. 2020].

Information Office of the State Council The PRC (2011b). *China's Foreign Aid (2011)*. [online] english.www.gov.cn. Available at: http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm [Accessed 28 Oct. 2020].

International Development LSE (2020a). *Cutting Edge Issues: Panel on China in Africa - YouTube*. [online] www.youtube.com. Available at: https://www.youtube.com/watch?app=desktop&v=LVlki0oOVX8&feature=youtu.be [Accessed 25 Nov. 2020].

International Finance Corporation. (2014). [online] *DEVELOPMENT IMPACT REPORT 2014*. Available at: https://www.ifc.org/wps/wcm/connect/1bc8e8ab-5cbd-464d-a9a1-e3da4a215826/IFC+Africa+Development+Impact+Report+2014.pdf?MOD=AJPERES&CVID=kubORht.

Isilow, H. (2018). *Chinese loans may trap Africa into debt – experts*. [online] Aa.com.tr. Available at: https://www.aa.com.tr/en/energy/finance/chinese-loans-may-trap-africa-into-debt-experts/21940 [Accessed 20 Dec. 2020].

Jayaram, K., Kassiri, O. and Sun, I.Y.S. (2017). *The closest look yet at Chinese economic engagement in Africa*. [online] McKinsey & Company. Available at: https://www.mckinsey.com/featured-insights/middle-east-and-africa/the-closest-look-yet-at-chinese-economic-engagement-in-africa [Accessed 28 Dec. 2020].

Jayaraman, T.K. and Lau, E. (2009). Does external debt lead to economic growth in Pacific island countries. *Journal of Policy Modeling*, 31(2), pp.272–288.

Kazeem, Y. (2020). *The truth about Africa's "debt problem" with China*. [online] Quartz Africa. Available at: https://qz.com/africa/1915076/how-bad-is-africas-debt-to-china/ [Accessed 25 Nov. 2020].

Kirkpatrick, C. and Tennant, D. (2002). Responding to Financial Crisis: The Case of Jamaica. *World Development*, 30(11), pp.1933–1950.

Kjøllesdal, K.A. and Welle-Strand, A. (2010). Foreign Aid Strategies: China Taking Over? *Asian Social Science*, 6(10).

Klein, T.M. (1994). *ExternalDebt Management*. [online] Available at: http://documents1.worldbank.org/curated/en/510421468739200034/pdf/multi0page.pdf [Accessed 2 Oct. 2020].

Krugman, P. (1988). Financing vs. forgiving a debt overhang. *Journal of Development Economics*, 29(3), pp.253–268.

Lakshman, W.D. (2020). *Sri Lanka Central Bank Governor W D Lakshman speaks at Chamber forum – full text*. [online] EconomyNext. Available at: https://economynext.com/sri-lanka-central-bank-governor-w-d-lakshman-speaks-at-chamber-forum-full-text-76503/ [Accessed 20 Dec. 2020].

Lau, L.J. (2008). Thirty Years of Chinese Economic Reform: Reasons for Its Success and Future Directions. *Lecture Notes in Computer Science*, pp.2–3.

Lee, E. (2018). The Belt and Road Initiative: Impact on Trade Patterns Between China and Central Asia. *East Asian Community Review*, 1(3–4), pp.185–198.

Léonce Ndikumana and Boyce, J.K. (2011). *Africa's odious debts : how foreign loans and capital flight bled a continent*. London: Zed Books.

Limao, N. (2001). Infrastructure, Geographical Disadvantage, Transport Costs, and Trade. *The World Bank Economic Review*, [online] 15(3), pp.451–479. Available at: https://academic.oup.com/wber/article-abstract/15/3/451/1657652 [Accessed 24 Dec. 2020].

Loko, B., Mlachila, M., Nallari, R. and Kalonji, K. (2003). *The Impact of External Indebtedness On Poverty In Low-income Countries*. [online] Available at: https://www.imf.org/external/pubs/ft/wp/2003/wp0361.pdf [Accessed 2 Dec. 2020].

MACAN-MARKAR, M. (2019). *Sri Lanka seeks regional bailout as balance of payments crisis looms*. [online] Nikkei Asia. Available at: https://asia.nikkei.com/Economy/Sri-Lanka-seeks-regional-bailout-as-balance-of-payments-crisis-looms [Accessed 29 Oct. 2020].

Mantesso, S. (2018). *What happens when poorer nations lured by China's cheap loans can't pay them back?* [online] ABC News. Available at:

https://www.abc.net.au/news/2018-11-16/are-china-cheap-loans-to-poor-nations-a-debt-trap/10493286 [Accessed 15 Jan. 2021].

Martuscelli, A. (2019). The Economics of China's Engagement with Africa: What is the Empirical Evidence? *Development Policy Review*.

Middle East Monitor. (2019). *"Used food" markets spreading in Egypt as poverty rises*. [online] Available at: https://www.middleeastmonitor.com/20190418-used-food-markets-spreading-in-egypt-as-poverty-rises/ [Accessed 27 Dec. 2020].

Miller, T. (2019). *CHINA'S ASIAN DREAM : empire building along the new silk road.*

Nakkazi, E.N. (2018). *China ramps up support for African higher education*. [online] University World News. Available at: https://www.universityworld-news.com/post.php?story=20180907083412817 [Accessed 17 Jan. 2021].

Nhede, N. (2019). *Power sector investments in Sub-Saharan Africa to reach $141bn by 2028*. [online] Smart Energy International. Available at: https://www.smart-energy.com/resources/reports-and-white-papers/power-sector-investment-in-sub-saharan-africa-to-reach-141-billion-by-2028/#:~:text=Power%20sector%20investment%20in%20Sub%2DSaharan%20Africa%20to%20reach%20%24141%20billion&text=Up%20to%20%24141%20billion%20will [Accessed 26 Dec. 2020].

Njoh, A.J. (2000). Transportation Infrastructure and Economic Development in Sub-Saharan Africa. *Public Works Management & Policy*, 4(4), pp.286–296.

Nyabiage, J. (2019). *Are Chinese infrastructure loans putting Africa on the debt-trap express?* [online] South China Morning Post. Available at: https://www.scmp.com/news/china/diplomacy/article/3020394/are-chinese-infrastructure-loans-putting-africa-debt-trap [Accessed 15 Jan. 2021].

Nyabiage, J. (2020). *China turns cautious on lending to Africa amid default crisis fears*. [online] South China Morning Post. Available at: https://www.scmp.com/news/china/diplomacy/article/3111760/china-turns-cautious-lending-africa-amid-default-crisis-fears [Accessed 16 Jan. 2021].

Odarno, L. (2020). *Missing Links Between Electricity Access and Development Priorities in Africa*. [online] World Resources Institute. Available at: https://www.wri.org/blog/2020/07/missing-links-electricity-access-development-priorities-africa [Accessed 26 Dec. 2020].

OECD. (2020). *A "debt standstill" for the poorest countries: How much is at stake?* [online] Available at: https://www.oecd.org/coronavirus/policy-responses/a-debt-standstill-for-the-poorest-countries-how-much-is-at-stake-462eabd8/ [Accessed 16 Jan. 2021].

Olander, E. (2020a). *China to cut back lending to Africa in the post-COVID-19 era*. [online] The Africa Report.com. Available at: https://www.theafricareport.com/52806/china-to-cut-back-lending-to-africa-in-the-post-covid-19-era/ [Accessed 16 Jan. 2021].

Olander, E. (2020b). *China's infrastructure finance model is changing. Here's how*. [online] The Africa Report.com. Available at: https://www.theafricareport.com/22133/chinas-infrastructure-finance-model-is-changing-heres-how/ [Accessed 6 Nov. 2020].

Omotola, J.S. and Saliu, H. (2009). Foreign aid, debt relief and Africa's development: problems and prospects. *South African Journal of International Affairs*, 16(1), pp.87–102.

Parfitt, T.W. and Riley, S.P. (1986). African in the Debt Trap: Which Way Out? *The Journal of Modern African Studies*, 24(3), pp.519–527.

Parker, S. and Chefitz, G. (2018a). *China's Debtbook Diplomacy: How China is Turning Bad Loans into Strategic Investments*. [online] Thediplomat.com. Available at: https://thediplomat.com/2018/06/chinas-debtbook-diplomacy-how-china-is-turning-bad-loans-into-strategic-investments/ [Accessed 18 Nov. 2020].

Parker, S. and Chefitz, G. (2018b). *Debtbook Diplomacy*. [online] Belfer Center for Science and International Affairs. Available at: https://www.belfercenter.org/publication/debtbook-diplomacy [Accessed 25 Nov. 2020].

Parker, S. and Chefitz, G. (2018c). *PA P E R M A Y 2 0 1 8 Debtbook Diplomacy China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy*. [online] Available at: https://www.belfercenter.org/sites/default/files/files/publication/Debtbook%20Diplomacy%20PDF.pdf [Accessed 13 Nov. 2020].

Paulson Institute (2019). *Gyude Moore: "China in Africa: An African Perspective." YouTube*. Available at: https://www.youtube.com/watch?v=P5uzxV8ub9k&feature=youtu.be [Accessed 17 Jan. 2021].

Payne, J. (2020). Chinese commodity-backed loans crippling Africa and Latin America -report. *Reuters*. [online] 27 Feb. Available at: https://uk.reuters.com/article/commodities-loans-africa-americas/chinese-commodity-backed-loans-crippling-africa-and-latin-america-report-idUKL5N2AP3NL [Accessed 1 Dec. 2020].

Pham, J.P., BELLO, A.S. and BARRY, B.-S. (2018). *Chinese Aid and Investment Are Good for Africa*. [online] Foreign Policy. Available at: https://foreignpolicy.com/2018/08/31/chinese-aid-and-investment-are-good-for-africa/ [Accessed 17 Dec. 2020].

Pilling, D. (2015). *Africa ties with China are about more than raw materials*. [online] www-ft-com.eur.idm.oclc.org. Available at: https://www-ft-com.eur.idm.oclc.org/content/e6b692ec-5e2f-11e5-a28b-50226830d644 [Accessed 15 Jan. 2021].

Quak, E. (2018). *The public investment gap: the need for external finance to increase public investment Question*. [online] Available at: https://assets.publishing.service.gov.uk/media/5bae4690ed915d25879ec411/382_Public_Investment_in_LMICs.pdf [Accessed 20 Dec. 2020].

Rajasingham, S. (2012). *Transport Costs in Africa: why are they so high and what can be done about them?* [online] Devpolicy Blog from the Development Policy Centre. Available at: https://devpolicy.org/transport-costs-in-africa-why-are-they-so-high-and-what-can-be-done-about-them20120302/ [Accessed 22 Dec. 2020].

Reinhart, C. and Rogoff, K. (2010). *NBER WORKING PAPER SERIES GROWTH IN A TIME OF DEBT*. [online] Available at: https://www.nber.org/system/files/working_papers/w15639/w15639.pdf [Accessed 25 Nov. 2020].

Request, H. and Mustapha, S. (2014). *What lessons can we learn from the 1980's and 1990's debt crises for developing countries and how are today's conditions similar, how are they different?* [online] Available at: https://assets.publishing.service.gov.uk/media/57a089ee40f0b6497400031c/What_lessons_can_we_learn_from_the_1980s_and_1990s_debt_crises.pdf [Accessed 16 Jan. 2021].

Rizet, C. and Hine, J.L. (1993). A comparison of the costs and productivity of road freight transport in Africa and Pakistan. *Transport Reviews*, 13(2), pp.151–165.

Ross, S. (2019). *Why are the factors of production important to economic growth?* [online] Investopedia. Available at: https://www.investopedia.com/ask/answers/040715/why-are-factors-production-important-economic-growth.asp [Accessed 31 Dec. 2020].

Sanusi, L. (2013). *Africa must get real about Chinese ties*. [online] www.ft.com. Available at: https://www.ft.com/content/562692b0-898c-11e2-ad3f-00144feabdc0 [Accessed 28 Nov. 2020].

Senadza, B., Fiagbe, A. and Quartey, P. (2017). The effect of external debt on economic growth in Sub-Saharan Africa. *International Journal of Business and Economic Sciences Applied Research*, [online] 11(1), pp.61–69. Available at: https://www.econstor.eu/bitstream/10419/185682/1/v11-i1-p61-69-effect-external-debt.pdf [Accessed 26 Nov. 2020].

Shepard, W. (2016). *Sri Lanka's Debt Crisis Is So Bad The Government Doesn't Even Know How Much Money It Owes*. [online] Forbes. Available at: https://www.forbes.com/sites/wadeshepard/2016/09/30/sri-lankas-debt-crisis-is-so-bad-the-government-doesnt-even-know-how-much-money-it-owes/?sh=3c51d0af4608 [Accessed 20 Dec. 2020].

Simeon Ibidayo Ajayi and Mohsin S. Khan (1997). *An analysis of external debt and capital flight in the severely indebted low income countries in Sub Saharan Africa*. Washington: International Monetary Fund.

Sokona, Y., Mulugetta, Y. and Gujba, H. (2012). Widening energy access in Africa: Towards energy transition. *Energy Policy*, 47, pp.3–10.

Staff, R. (2020). China says has given $2.1 billion of debt relief to poor countries. *Reuters*. [online] 20 Nov. Available at: https://www.reuters.com/article/us-china-debt-g20/china-says-has-given-2-1-billion-of-debt-relief-to-poor-countries-idUSKBN28009A [Accessed 16 Jan. 2021].

Stone, C. (1985). Jamaica in Crisis: From Socialist to Capitalist Management. *International Journal*, 40(2), p.282.

Strange, A., Park, B. and Fuchs, A. (2013). *China's Development Finance to Africa: A Media-Based Approach to Data Collection*. [online] engine.surfconext.nl. Available at: https://papers-ssrn-com.eur.idm.oclc.org/sol3/papers.cfm?abstract_id=2259924 [Accessed 27 Oct. 2020].

Sun, Y. (2014). *China's Aid to Africa: Monster or Messiah?* [online] Brookings. Available at: https://www.brookings.edu/opinions/chinas-aid-to-africa-monster-or-messiah/ [Accessed 23 Oct. 2020].

Taylor, I. (2007). *Unpacking China's Resource Diplomacy in Africa*. [online] Available at: http://www.cctr.ust.hk/materials/working_papers/WorkingPaper19_IanTaylor.pdf [Accessed 29 Oct. 2020].

Teravaninthorn, S. and Raballand, G. (2008). *Transport Prices and Costs in Africa A Review of the International Corridors Public Disclosure Authorized Public Disclosure Authorized Public Disclosure Authorized blic Disclosure Authorized*. [online] Available at: http://documents1.worldbank.org/curated/en/278561468201609212/pdf/461810PUB0Box3101OFFICIAL0USE0ONLY1.pdf [Accessed 22 Dec. 2020].

The World Bank (2020b). *The World Bank In Sri Lanka*. [online] engine.surfconext.nl. Available at: https://www-worldbank-org.eur.idm.oclc.org/en/country/srilanka/overview [Accessed 23 Nov. 2020].

The World Bank Group. (2017). *Africa's Pulse: An Analysis of issues shaping Africa's economic future*. [online] Available at: http://documents1.worldbank.org/curated/en/348741492463112162/pdf/114375-REVISED-4-18-PMWB-AfricasPulse-Sping2017-vol15-ENGLISH-FINAL-web.pdf [Accessed 26 Dec. 2020].

Toussaint, E. (2020). *The debt trap*. [online] CADTM. Available at: https://www.cadtm.org/The-debt-trap [Accessed 26 Nov. 2020].

TRTWorld (2019). *How China's debt trap diplomacy works and what it means*. [online] How China's debt trap diplomacy works and what it means. Available at: https://www.trtworld.com/africa/how-china-s-debt-trap-diplomacy-works-and-what-it-means-32133 [Accessed 15 Jan. 2021].

Tugendhat, H. (2020). *How Huawei Succeeds in Africa: Training and Knowledge Transfers in Kenya and Nigeria*. [online] Available at: https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/5e73acb2efefbe3e97b7c258/1584639155488/WP+34+-+Tugendhat+-+Huawei+Kenya+Nigeria.pdf [Accessed 19 Jan. 2021].

Voivodas, C.S. (1973). Exports, foreign capital inflow and economic growth. *Journal of International Economics*, 3(4), pp.337–349.

Warner, A.M. (1992). Did the Debt Crisis Cause the Investment Crisis? *The Quarterly Journal of Economics*, 107(4), pp.1161–1186.

Weizhen Tan (2019). *About half of China's loans to developing countries are "hidden," study finds*. [online] CNBC. Available at: https://www.cnbc.com/2019/07/12/chinas-lending-to-other-countries-jumps-causing-hidden-debt.html [Accessed 16 Jan. 2021].

Were, M. (2001). *The impact of external debt on economic growth in Kenya: An empirical assessment*. [online] www.econstor.eu. Available at: https://www.econstor.eu/handle/10419/52920 [Accessed 25 Nov. 2020].

Wheatley, J. and Cotterill, J. (2020). African debt to China: 'A major drain on the poorest countries.' *The Financial Times*. [online] 26 Oct. Available at: https://www.ft.com/content/bd73a115-1988-43aa-8b2b-40a449da1235 [Accessed 19 Dec. 2020].

WIHTOL, R. (2020). *China's problematic lending comes home to roost*. [online] www.lowyinstitute.org. Available at: https://www.lowyinstitute.org/the-interpreter/china-s-problematic-lending-comes-home-roost [Accessed 15 Jan. 2021].

Wong, C. and Zhou, L. (2021). *'No political strings attached': China doubles financial pledges to Africa and vows to waive debt for poorest nations*. [online] South China Morning Post. Available at: https://www.scmp.com/news/china/diplomacy/article/2162590/no-political-strings-attached-china-doubles-financial-pledges [Accessed 15 Jan. 2021].

World Bank (2014). Africa's Pulse, April 2014 : An Analysis of Issues Shaping Africa's Economic Future. [online] Available at: https://openknowledge.worldbank.org/handle/10986/20055 [Accessed 20 Dec. 2020].

World Bank. (2020). *Africa's Pulse*. [online] Available at: https://www.worldbank.org/en/publication/africa-pulse [Accessed 21 Dec. 2020].

World Bank Group (2017b). *Africa's Pulse, No. 15, April 2017*. [online] ideas.repec.org. Available at: https://ideas.repec.org/p/wbk/wboper/26485.html [Accessed 25 Dec. 2020].

World Bank-IMF (2014). *SUSTAINING ECONOMIC GROWTH IN AFRICA*. [online] engine.surfconext.nl. Available at: https://www-worldbank-org.eur.idm.oclc.org/content/dam/Worldbank/document/Africa/Report/state-of-the-region-2014-spring-meetings.pdf [Accessed 30 Oct. 2020].

Xinhuanet (2018b). *中国驻斯里兰卡大使馆批驳西方媒体所谓"债务陷阱"伪命题-新华网*. [online] www.xinhuanet.com. Available at: http://www.xinhuanet.com/world/2018-07/05/c_1123085889.htm [Accessed 20 Dec. 2020].

Xu, W. (2019). *China's debt trap? The true story of Hambantota port - Global Times*. [online] www.globaltimes.cn. Available at: https://www.globaltimes.cn/content/1150711.shtml [Accessed 21 Nov. 2020].

Yu, Z. and Wang, Y. (2007). 外交部：中国对非优惠贷款不附加任何政治条件. [online] www.chinanews.com. Available at: https://www.chinanews.com/cj/hgjj/news/2007/05-22/941011.shtml.