

## CONTRIBUTOR BIO

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*By Amy Holmes*

## **New Colonialism in Developmental Aid**

*Emily Meyer*

### **Abstract**

Conventional wisdom suggests United States' economic foreign aid is wasted and should be cut. In challenging this conventional wisdom, I argue that though there is potential for good through foreign aid, bilateral aid programs like that of the Forum on China-Africa Cooperation resemble neo-colonialism. This paper examines international aid's effects on establishing debt traps, promoting exploitation, and reinforcing hierarchy. Through analysis of primary and secondary evidence, including but not limited to UNCTAD and WWF-SIGHT reports, I look at how the effects of international aid contribute to the sovereignty of the recipient countries. My findings reveal that though Chinese international aid and investment has created several positive short-term changes in African economies, these advances come with a cost. Due to a lack of regulations on aid-based development projects, powerful countries are allowed to take advantage of both the recipients' natural resources and political sovereignty.

### **Introduction**

In the fall of 2018, discussion began on Africa's response to China's growing economic diplomacy which despite positive perceptions, has evoked popular support for anti-China rhetoric among African voters. With upcoming elections in a time when China is the most crucial economic partner to many African countries, the influence over Africa has become increasingly concerning. Because extractive sectors are at the core of African-Chinese economic ties, there are rising concerns about exploitative practices resulting from foreign involvement. China's increased engagement in Africa has been criticized by some Western politicians as a form of new colonialism, with growing indebtedness to China being the main concern.

This comparison of international aid to neocolonialism creates a large concern about the effects on aid-receiving countries' sovereignty.

Chinese developmental aid to Africa reflects both the historical trend of powerful nations' colonialism over developing countries, and the growing power of non-western nations. This aid comes at a time when China's growing political and economic power is posing a threat to western powers like the United States. African nations have been facing a need for restructuring debt and sustainable development. Although there is the widespread concern of aid creating further indebtedness, most African countries still view Chinese lending as the best option to develop their economies, rather than inattentive western nations.<sup>1</sup> This choice reflects the growing divide between the United States and China, as has been emphasized by American political rhetoric. This observation also shows the negative, or at least complicated effects of increased technology on developing nations. As we have seen in historical examples, like the United States' failed aid to Haiti, which ended up dismantling Haiti's agricultural sustainability, development aid has both promising and dangerous possibilities.

For China, the implications of increased economic engagement benefits both their political and economic positions. However, with increased economic presence in Africa's development, China is taking on a greater level of responsibility for ensuring that the development projects they are funding are sustainable. If attended to, this could have amazing effects for African countries' development. However, a more realistic view would see that rather than giving out "free money,"<sup>2</sup> which is a common view of some recipient states, China is effectively buying influence, and thus creating a newer type of colonialism of African states. However, Chinese backed infrastructure does not guarantee economic growth that would make rising debt sustainable. This is supported by CARI<sup>3</sup> data showing Chinese loans as the most significant contributor to high debt risks in several African states.<sup>4</sup> The main problem with this type of aid is that because it is a bilateral aid agreement, it is not distributed with analysis and regulation from other international actors. This issue reflects heavily on what effects international

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1 Joe Bavier, Christian Shepherd, "Despite debt woes, Africa still sees China as best bet for financing," Reuters (August 30, 2018).

2 Ibid

3 China-Africa Research Initiative at Johns Hopkins University.

4 Joe Bavier, Christian Shepherd, "Despite debt woes, Africa still sees China as best bet for financing," Reuters (August 30, 2018).

aid, like that we see by China, has on both sustainable development and independent states' sovereignty. These concerns lead me to ask the following research question: How does development aid resemble neo-colonialism on developing nations' sovereignty?

My three case studies analyzed how international aid: establishes debt traps, promotes exploitation of natural resources, and reinforces cultural hierarchy. In each of these cases, I looked at developing nations' sovereignty as the unit of analysis. For this research, I defined sovereignty as a state's ability to govern its people, allowing for sustainable development. The theoretical paradigm I am using that best frames my research is dependency theory. Dependency theory holds itself as a theory of underdevelopment, in which throughout the last century, poor countries "exiled to the periphery of the world economy could not develop as long as they remained enslaved by the rich nations of the center."<sup>5</sup> I am using this theory to assert that the lack of regulations that often come with capitalism are a primary factor for the inequality of economic growth between rich and poor countries. This theory helps me frame my research by looking at how in cases where international aid is given, the rich donor countries tend to neglect the responsibilities of regulating how their aid is distributed. The lack of regulations when aid is given to less developed governments allows not only for irresponsible allocation of funds, but also for abuse of the recipient countries' people. Donor countries' lack of responsibility in enforcing regulations directly affects economic, environmental, and cultural balances in recipient countries. Without the state capacity to handle unforeseen circumstances resulting from economic aid, these countries face no other choice but to depend on constant support from their donor countries, which further inhibits recipient governments' autonomy over sustainable development.

## **Research Findings**

### *Establishing Debt Traps*

China has become one of the largest bilateral aid donors in some countries and regions, due to their unique foreign aid practices which include debt forgiveness and concessional loans. China often promotes economic projects in countries, areas, and sectors that developed governments and MNCs have avoided because they are determined to be unfriendly, too

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5 Andres Velasco, "Dependency Theory," *Foreign Policy* vol. 133 (November/December 2002).

arduous, or infeasible. Chinese economic assistance becomes an attractive alternative to the IMF and World Bank Heavily Indebted Poor Countries Initiative,<sup>6</sup> which only applies to eligible debt acquired during a specific period of time from specific creditors.<sup>7</sup> Though concessional debt has been decreased in more middle-income African states, China still maintains this practice in more heavily indebted countries.

Due to several external forces, such as the global financial crisis and a sharp decline in commodity prices, Africa's external debt stock has grown rapidly in the last decade. Between 2011 and 2013, external debt-to-GNI ratios were much higher in Africa than other regions such as East Asia and Latin America.<sup>8</sup> This increase in debt stock has led to riskier practices by African countries, which include inviting more investor interest into emerging markets. Although debt relief programs have been somewhat effective in reducing debt burdens of eligible countries, long-term debt sustainability remains a great concern for many poor countries. In recent years, several African states have experienced upward trends in external debt ratios, with two countries being considered to be in debt distress and seven classified as high risk.<sup>9</sup>

Pakistan, Sri Lanka, and Djibouti have been three of the primary countries illustrating the dangers of China's "debt trap diplomacy." Infrastructure projects like those of the CPEC's<sup>10</sup> development scheme has become a point of questioning the Chinese "Silk Road" projects.<sup>11</sup> CPEC projects reflect the growing bilateral relationship between the countries, highlighted by China's geopolitical ambition to gain influence through infrastructure projects promoting connectivity across Pakistan.<sup>12</sup> These projects all fall under the greater scheme of China's Belt and Road Initiative

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6 Launched in 1996 by IMF and World Bank as the first comprehensive approach to reducing the external debt of the world's poorest, with debt relief placed within an overall framework of poverty reduction.

7 Economic Development in Africa: Debt Dynamics and Development Finance in Africa, United Nations Conference on Trade and Development. New York and Geneva (2016).

8 Ibid.

9 Ibid.

10 China-Pakistan Economic Corridor.

11 Drazen Jorgic, "Fearing debt trap, Pakistan rethinks Chinese 'Silk Road' projects," Reuters (September 29, 2018).

12 Daniel S. Markey, James West, "Behind China's Gambit in Pakistan," The New Geopolitics of China, India, and Pakistan (2016).

(CBRI), an ambitious plan to deepen Chinese economic integration and connectivity across Asia and into Africa and Europe.

The new Pakistani populist government under Prime Minister Imran Khan has expressed concern about rising debt levels, leading to ideas that the country must wean itself off of foreign loans. This unease about foreign aid reflects similar sentiments from incoming governments in Sri Lanka, Malaysia, and The Maldives about Chinese investment. Despite Pakistani government desires to review all BRI infrastructure projects, People's Republic of China (PRC) officials have only been willing to review projects that have yet to be put in place.<sup>13</sup> Although Pakistani officials have said that they remain committed to Chinese investment, this commitment is paired with a need to push for more affordable prices and a further focus on social development projects. However, it is hard to have Pakistani demands be taken seriously considering how dependent they are on Chinese loans to prop up their already vulnerable economy.<sup>14</sup>

Sri Lanka has been a primary example of debt caused by infrastructure “untied” loans from China. The projects that loans have gone toward have racked up more than \$8 billion of debt to Chinese-backed banks with interest rates as high as seven percent. This has led to an inability to pay back.<sup>15</sup> Because of this massive debt, nearly all of Sri Lanka's revenue is now going toward debt repayment, Sri Lanka to be dependent on China to keep their economy somewhat afloat. Although their debt has not been as established, Djibouti has been speculated as an upcoming victim to China's debt trap diplomacy. Like Sri Lanka, last year, as part of China's BRI, Djibouti borrowed more money than it can pay back for infrastructure projects. They are currently projected to take on public debt worth around 88% of the country's overall GDP, with a large amount owed to China.<sup>16</sup> This vulnerability has only led to more dependency on Chinese intervention, as American politicians such as Senator James Inhofe have expressed concern, saying that “China initiated a campaign weaponizing the debt owed to it by Djibouti, drowning President Guelleh and leaving him and his country

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13 Drazen Jorgic, “Fearing debt trap, Pakistan rethinks Chinese ‘Silk Road’ projects,” Reuters (September 29, 2018).

14 Ibid .

15 Amy Cheng, “Will Djibouti become latest country to fall into China's debt trap?” Foreign Policy Editorial Report (2018).

16 Ibid .

no choice but to transfer national assets -and sovereignty- as repayment.<sup>17</sup> As highlighted by Inhofe, this Chinese takeover of Djibouti's debt has had an effect not only on its economy, but on the national sovereignty of the recipient nation and its ability to develop independently.

### *Promoting the Exploitation of Natural Resources*

This case study analyzes how the environmental damage and exploitation of workers caused by economic aid resembles neocolonialism by diminishing a states' capacity to develop sustainably. Foreign aid in developing nations, like China's aid to Africa, is primarily driven by a need for natural resources as well as the aim to open foreign markets to Chinese goods and help PRC companies. Despite increased efficiency and rising domestic production, China's rapid urbanization and industrialization continues to increase demand for coal, oil, and other natural resources.<sup>18</sup> 70% of infrastructure financing takes place in countries with oil fields, but China places a higher level of investment in mineral markets.<sup>19</sup> Although Africa is the primary recipient of foreign aid being focused on for natural resource exploitation, China has expanded their reach beyond the eastern hemisphere.

According to a CRS report, natural resource extraction/production is the most highly invested type of aid by the PRC, with over \$32 million having been donated to Africa, Latin America, and Southeast Asia between 2002-2007.<sup>20</sup> Over two thirds of China's investment projects on the western hemisphere were in natural resource sectors. While the increase in Chinese demand for natural resources has accelerated growth in some resource-rich sub-Saharan African countries, the facilitating of exports of raw materials makes Chinese companies the biggest beneficiary of them all, requiring that 50% of project materials and services are to be sourced in the PRC.<sup>21</sup> In addition, China's unique way of accepting debt relief in kind creates a

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17 Senator James Inhofe (R-Iowa) to National Security Advisor John Bolton, Washington, D.C. (May 2, 2018).

18 Miria Pigato, Wenxia Tang, "China and Africa: Expanding Economic Ties in an Evolving Global Context," World Bank (March 2015).

19 Thomas Lum, Hannah Fischer, Julissa Gomez-Granger, Anne Leland, "China's foreign Aid Activities in Africa, Latin America, and Southeast Asia," CRS Report for Congress, Congressional Research Service (2009).

20 Ibid .

21 Miria Pigato, Wenxia Tang, "China and Africa: Expanding Economic Ties in an Evolving Global Context," World Bank (March 2015).

direct source of oil or minerals through payments on loans. Because of this convenient debt payment system, African oil accounts for 80% of China's trade in the region and one third of its oil exports.<sup>22</sup>

Investments into mined resources have led to exploitation of workers, as seen through the extraction of cobalt in the Congo. According to the Washington Post, foreign investment has added significantly to the growing mining industry. The cobalt industry has moved from small scale mines to a single Chinese company, Zhejiang Huayou Cobalt, which supplies several large battery makers. Cobalt is essential to lithium batteries frequently used in electronics, with its soaring demand requiring 100,000 workers to be submitted to harsh and dangerous labor conditions.<sup>23</sup> The lack of proper tools and safety regulations cause this working environment to be linked to health problems and even deaths among locals. Despite several labor rights and health concerns, Congolese cobalt still makes up 60% of the world's cobalt supply, displaying a general underinvestment into the welfare of miners and locals. Similar nonchalance is exercised by the president of Huayou Cobalt, who claims that his company has never questioned how its minerals have been obtained, despite a long-standing history of mining operations in the Congo.<sup>24</sup> Although 90% of Chinese cobalt comes from mines in the Congo, the Chinese government has shown little desire to take on the responsibility of regulating exploitative mining practices. Chinese companies have similarly ignored the problem of regulating and decreasing the prevalence of child labor in Congo's mining industry, which currently stands at an estimated 40% of the mine workers.<sup>25</sup> In addition to safety concerns for the workers, Chinese investment into mines contributes to the 43.2% of protected environmental areas being somewhat overlapped by mining activities.<sup>26</sup>

We have seen the safety risks of mining operations in Brazil and Australia's recent incidents with mining dams. In 2015, a Brazilian iron ore mine experienced a breach in their dam and released 39.2 million cubic

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22 Thomas Lum, Hannah Fischer, Julissa Gomez-Granger, Anne Leland," China's foreign Aid Activities in Africa, Latin America, and Southeast Asia," CRS Report for Congress, Congressional Research Service (2009).

23 Todd Frankel," The Cobalt Pipeline," The Washington Post (September 30, 2016).

24 Ibid.

25 Ibid.

26 WWF-SIGHT Analytics, World Wildlife Fund UK (2017).

meters of waste, resulting in nineteen deaths.<sup>27</sup> In addition to safety concerns for the workers, a breach in mining operations can be detrimental to the environmental welfare of the surrounding area, creating great challenges for governing bodies trying to achieve sustainable development. Deforestation and biodiversity loss are other huge concerns when looking into the effects of infrastructure projects like bolstering artisanal mines and mining for oil. Since artisanal mining takes place in primarily tropical environments, several different species of flora and fauna are at risk of being degraded or poisoned. This is the case in Botswana and Guinea, which currently have the highest proportion of environmentally protected land being overlapped by mining activities. 88.9% of Botswana's protected areas are being somewhat overlapped by mining concessions and 16.3% are being overlapped by oil and gas concessions.<sup>28</sup> This shows an incredible hypocrisy, since these lands being exploited are supposed to be protected to maintain biodiversity. However, we cannot only blame the recipient states for this degradation of supposed protected land. Without donors accepting responsibility for mitigating land degradation, many recipient states will not have the capacity to handle environmental problems.

### *Reinforcing Cultural Hierarchy*

In the last few decades, China has shifted toward soft power, the ability to control or influence others and the outcomes of events.<sup>29</sup> During the 1970s and 80s, China's assistance in Africa took place in the form of infrastructure projects, public works, technical and public health assistance, and scholarships to study in China.<sup>30</sup> Beginning in the late 1990s, China started to focus on improving ties with neighboring countries, as well as taking a greater role in the international system. China's increased involvement and foreign aid to developing countries reinforces a cultural hierarchy through the promotion of Chinese-based higher education and use of their soft power to push political agendas, specifically the isolation of Taiwan and rejection of Western supremacy. This goal to sway developing countries, specifically in

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27 Oli Brown, Zhanyl Moldaliev, "Dam or be damned: Mining safety under scrutiny," United Nations Environmental Programme (March 22, 2018).

28 WWF-SIGHT Analytics, World Wildlife Fund UK (2017).

29 Jeffrey Gil, "The Promotion of Chinese Language Learning and China's Soft Power." Asian Social Science pg. 116-122 (2008).

30 Thomas Lum, Hannah Fischer, Julissa Gomez-Granger, Anne Leland, "China's foreign Aid Activities in Africa, Latin America, and Southeast Asia," CRS Report for Congress, Congressional Research Service (2009).

Africa, toward their political positions has been illustrated through Chinese rhetoric on the long-standing relationship between Africa and China, dating back to the fifteenth century. Harping on nostalgia of the “peace loving” Admiral Zheng He, China referenced an antique bilateral friendship during the 2006 Forum on China-Africa Cooperation to remind African countries of where their allegiance should lie.<sup>31</sup> In addition, many Chinese websites have flooded with documents reinforcing the importance of Africa and China’s historic relationship. This rhetoric has often relied on relating China and Africa’s common history of seemingly endless and torturous process of Western countries abusing their recipient countries, as well as the asymmetrical effects of Western aid.

Education is a massive portion of what makes up a culture. We have seen, through Western countries’ bolstering of foreign engagement in educational sectors, the creation of a “brain drain” of knowledge vacuuming skilled laborers from the periphery into the core. Similarly, China’s investment into increasing the number of foreign students in Chinese institutions has been a main objective for not only helping developing nations, but also increasing foreign desires to gain educational and work skills from China. This strategy, focused on education, has been bolstered by the PRC in recent decades. The Chinese government has established an office for promoting Chinese language and culture across the eastern hemisphere. This goal of cultural integration is highlighted in the Chinese government’s eight principles for economic aid and technical assistance to other countries, which was established in the mid-1960s. We can see from the eight principles a focus on achieving the objective of “In giving any particular technical assistance, the Chinese government will see it to that the personnel of the recipient country fully master such technique.”<sup>32</sup> Bolstering lesser developed countries’ labor and educational levels is a primary goal for China’s own economic development.

China’s Hanban project<sup>33</sup> has established 210 Confucius Institutes

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31 Kenneth King, “Aid within the Wider China-Africa Partnership: A view from the Beijing Summit,” University of Hong Kong & University of Edinburgh Publications (November 5, 2006).

32 Zhou Enlai, “The Chinese Government’s Eight Principles for Economic Aid and Technical Assistance to Other Countries,” Wilson Center History and Public Policy Digital Archive (January 15, 1964).

33 National Office for Teaching Chinese as a Foreign Language.

worldwide to teach Chinese language and culture.<sup>34</sup> This project has been assessed by some as influencing, cultivating friendships, and promoting an understanding of Chinese culture and language across the recipient countries. China has trained more than 300 teachers and spent \$26 million on textbooks and equipment for this program.<sup>35</sup> Other tactics by China have included hosting overseas scholars with the goal of creating an educational vacuum. After the United States tightened its visa policies in the beginning of the century, China has loosened their requirements and announced a goal of attracting more international students. In the 2016 FOCAC Johannesburg Action Plan, educational plans were established by declaring that China “will offer 2,000 degree education opportunities in China and 30,000 government scholarships to African countries.” This plan was cultivated in order to welcome more African youths to study in China and expand training for African professionals on economic development and technical management.<sup>36</sup> This action plan has manifested in sending Chinese “youth volunteers,” to African nations, where they are engaged in teaching and training in subjects of Chinese language and medicine, computer skills, agricultural technologies, and sports.<sup>37</sup>

In addition to the need for natural resources, China’s foreign aid is primarily driven by diplomatic objectives. These political objectives are defined by the desire to isolate Taiwan as well as garner support in international institutions such as the United Nations. Forging friendships with non-aligned nations in order to compete with Taiwan is essential for Chinese political agendas, especially considering Taiwan currently has diplomatic relations with 12 Latin America and Caribbean countries.<sup>38</sup> For example, China’s recent aid to Costa Rica has been directly linked to a

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34 Thomas Lum, Christopher M. Blanchard, Nicolas Cook, et. al., “Comparing Global Influence: China’s and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World,” CRS Report for Congress, Congressional Research Service (August 15, 2008).

35 Ibid.

36 Johannesburg Action Plan (2016-2018), The Forum on China-Africa Cooperation (December 25, 2015).

37 Thomas Lum, Christopher M. Blanchard, Nicolas Cook, et. al., “Comparing Global Influence: China’s and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World,” CRS Report for Congress, Congressional Research Service (August 15, 2008).

38 Thomas Lum, Hannah Fischer, Julissa Gomez-Granger, Anne Leland,” China’s foreign Aid Activities in Africa, Latin America, and Southeast Asia,” CRS Report for Congress, Congressional Research Service (2009).

desire of establishing diplomatic relations with the PRC and the termination of relations with Taiwan. The political effects of Chinese economic aid in Africa have been huge. Only four of 48 sub-Saharan African countries (Burkina Faso, Sao Tome, the Gambia, and Swaziland) still maintain official relations with Taiwan.<sup>39</sup> This geopolitical shift in African countries' alliances illustrates a large presence of cultural hierarchy in Africa with Chinese interests superseding those of Taiwan.

## **Implications**

Although Chinese international aid and investment has created several positive short-term changes in African economies, these advances come with a cost. When measuring the effects of aid, it's imperative that we look beyond mere economic advances, and instead balance these with the elimination of parts of domestic sovereignty. Though some economies may have improved due to Chinese economic activity, can this be reconciled with the influx of Chinese economic firms and companies in these emerging markets? This is an vital question we must ask in order to fully realize all of the effects of economic aid. Without a balanced analysis, our conclusions can easily sway toward the more obvious effects.

Although China has been quick to downplay the geopolitical ambitions of their Belt and Road initiative, the resemblance between China's expansion of influence across the continent and traditional colonial expansion is undeniable. Gaining soft power through investing in developing infrastructures and economies is a clear strategy to raise China's influence. Some have asserted that the growth in learning the Chinese language in Africa reflects more of an economic interest in China than a desire to emulate Chinese politics, society or culture. However, it is important to understand the effect this increase of Chinese education has had on the cultural influence China has had on recipient countries. It is easy to see how the United States' reputation of having first-rate universities has attracted many students to Western cultures, so we can similarly analyze China's growing attempts to assimilate foreign students to Chinese cultural and educational ideals. As we have seen in Western 'brain drains,' an invitation to train in more developed countries tends to primarily increase the level of skilled workers in the countries that give technical assistance, given the wider range of opportunities for skilled labor compared to their home nations. Although

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<sup>39</sup> Ibid.

the United States stands as a global hegemon, China's willingness to get in contact and engage with foreign students presents a challenge to the U.S.' broad educational scale.

Additionally, while mining and infrastructure projects do show promise for contributing to a country's sustainable development, it's important to ensure that mining activities are regulated, with responsibility being put on foreign investors to maintain safety standards. If donors aren't put to a responsible standard, the negative effects, such as environmental degradation and exploitation of workers' safety, will outweigh the positive gains made. The implications of Chinese developmental aid are mixed, but it is important to keep a skeptical eye for unforeseen challenges to recipient states' capacity to develop sustainably. Although this research has focused on the specific case of Chinese economic aid, this is just one example of the dangers of bilateral aid. The overarching theme of powerful countries "selflessly" helping developing nations always comes with some hidden motives.