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china's debt-trap in African countries: Evidence From Cameroon,Zimbabwe and Djibouti

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ABSTRACT

In the past two decades china has built large infrastructure projects in almost every country in Africa and this has made the western tics uncomfortable.China and Africa can forge an even stronger,comprehensive,strategic and if partnership.A common portrayal of china's lending practices is known as debt trap diplomacy.The so called debt trap is created when a country lends to poorer countries intentionally overwhelming them with sustainable debt,forcing them to surrender strategic assets or concede increased political leverage. This phenomenon has been a subject of significant debate and concern within the global community, as it can hinder economic development and exacerbate poverty in the region.But so far there is no evidence that such a debt trap has been sprung in Africa as the debt dynamics and challenges vary across countries and regions within Africa.

Introduction

The focus of debt trap diplomacy is part of wider western anxieties towards China in Africa.The western countries have already noticed that Chinese investments and Chinese infrastructure projects have been linked to increasing Chinese influence within the host country ruling elite.That may end up becoming somewhat of a leverage point for China to push some of these countries or ruling elites to side with China on critical issues that are important to the US Or its allies.But whil the us has focused its Africa strategy on aid and social services,China has been building.African government themselves said that they are tired of aid and charity and they want to do trade and wanted to be treated like partners and Chinese came along and joined hands as africas business partner.Now the us and Europe are answering back with their own infrastructure initiatives to counter china but African experts are skeptical because at the end of the day china has been the guy around the corner with bouquet of flowers for Africa. While the term itself is contentious and debated, there are instances where Chinese loans have raised questions about debt sustainability and potential strategic influence. From the 1950-1970s countries on the African continent gained independence from their European colonizers US and Europe lead organisation like the IMF and the world bank,funded much needed infrastructure across the continent but that slowly stopped.The United States and Europe kinda backed away from infrastructure in the 60s and 70s.Enter china,as early as the 1970s Beijing began building the Tazara Railway,a link between the Zambian town of kapiri.

Understanding the debt trap narrative

The idea that China is considering loan extensions that force developing nations into debt traps has been brought up in the media and international community as a result of the debt trap diplomacy.Despite China's assertions that economic cooperation in Asia, Africa, and Europe will increase regional connectivity, this has sparked a controversy among academics regarding China's ambitions.When a state purposefully lends too much money to a borrower country in order to increase the amount of financial or political concessions that are demanded when the borrowers are unable to repay, this is known as "debt trap diplomacy."Debt trap diplomacy was initially used by Indian academic Brahmachellany to describe China's risky tactic.According to Chellaney, China benefits when projects in developing countries fail since they receive a large portion of the assets.

China is giving out a lot of development loans to nations in order to help them accomplish the objectives of the Belt and Road Initiative, which eventually becomes a debt trap.China employs a methodical approach to debt trap diplomacy.It takes use of numerous weak nations for its own gain, advancing its global military, political, and economic objectives.China provides developing nations with billions of dollars in concessional loans for infrastructure projects.the substantial loan amount extended to the low- and middle-income nations that were the focus.China has taken advantage of the concessionality factor by offering extensive grace periods and interest rates that are lower than the market rate.For the sake of progress, these developing countries—among which are those in Africa are drawn into the debt trap and are forced to give up. The US media has speculated that China is using its loans as a weapon in the trade war, using the debt factor as a weapon of mass destruction to defeat rivals.Additionally, representatives from Western states have cautioned debtors about China's debt trap.African and Latin American nations received a warning from US State Secretary Mike Pompeo about China's aggressive economic practices.These recurring stories contribute to the annotation that states that when nations default on heavy debt, China benefits because it is caught in a debt trap.Kenya has been identified as the most recent vic[1]tim of the debt trap tactic, with 66% of its bilateral debt coming from China. Djibouti's overall debt, which is primarily owed to China, is almost 80% of its GDP.Mozambique, Zimbabwe, Burundi, and Chad are similarly either repaying loans or facing risk associated with debt.The tale of Chinese loans is a controversial one, with many academics arguing that China's implementation of the Belt and Road Initiative is part of its covert purpose.

China has made significant investments in Cameroon, a country in Central Africa, in a number of industries, including telecommunications, energy, and infrastructure. Projects including port expansion, hydroelectric dam construction, and road construction have all benefited from Chinese funding.The conditions of these loans, which frequently feature exorbitant interest rates and demand collateral, have drawn criticism, nevertheless. Critics contend that Cameroon's debt to China has escalated to unmanageable proportions, so jeopardizing the nation's economic stability and sovereignty.The ongoing dispute over China-financed building of the Kribi Deep Sea Port is one well-known example. Although the project could increase Cameroon's trade capacity, concerns have been expressed over the deal's transparency and long-term financial effects.Chinese investment has also reached Zimbabwe in Southern Africa, mostly in the mining and infrastructure sectors. Chinese businesses have worked on projects including building highways, airports, and power plants in addition to extracting natural resources like platinum and diamonds.Opponents contend that Zimbabwe's reliance on Chinese funding has exacerbated worries about corruption and poor management by creating a vicious circle of debt and dependency, with unclear loan terms and a lack of transparency around the arrangements.These difficulties are best shown by the controversy surrounding the expansion of the Kariba South Hydroelectric Power Station. Although the project's goal was to alleviate Zimbabwe's energy shortfall, it has come under fire for allegedly improper procurement procedures and cost overruns.Because of its geostrategic location and function as a hub for maritime trade and military activities, Djibouti, a country in the Horn of Africa, has become an important strategic partner for China.

[1] Navigating the evolving landscape between China and Africa's economic engagement https://www.imf.org/en/Publications/WP/Issues/2024/02/23/Navigating-the-Evolving-Landscape-between-China-and-Africas-Economic-Engagements-545104

Development of Djibouti's infrastructure, especially its ports and transportation systems, has been the main focus of Chinese investment.China-funded and built, the Djibouti International Free Trade Zone is a showpiece project meant to strengthen Djibouti's standing as a regional logistics center. But questions have been raised over the conditions of the related loans and the possibility that Djibouti will fall into a debt trap.These worries are exemplified by the Djibouti-Addis Ababa Railway, which links the port of Djibouti with the capital of Ethiopia. Although trade and economic integration could be facilitated by the project, concerns

[2]Examining evidence from Cameroon, Zimbabwe, and Djibouti sheds light on various dynamics at play:

Cameroon:

china is Cameroon's largest creditor,with 61% of the African country's external debt owed to Beijing.China's involvement in Cameroon, particularly in infrastructure development, has sparked concerns about the country falling into a "Chinese debt trap." In Cameroon, Chinese investments have financed significant infrastructure projects, including roads, stadiums, and hydroelectric dams. One of the most notable projects financed by China in Cameroon is the Kribi Deep Sea Port. [3]It was built by Chinese companies and financed by Chinese loans, the port is strategically important for Cameroon's trade and economic connectivity. However, the project's cost, financed primarily through loans from China, has significantly increased Cameroon's debt burden.Cameroon finding itself at risk of debt distress is not a new occurrence and is a result of the country's borrowing habits over several decades I.In 2007,public debt was only 12 percent of Cameroon's gross domestic product(GDP) and by September of 2020 the figure had increased to over 45 percent of the country's GDP.Out of Cameroon's external debt,61 percent is owed to china,making Beijing the country's largest creditor.China has issued over $6.2 billion in loans to Cameroon,the majority of which broadly concern infrastructure and energy.The largest source of Cameroon's debt to china is the ongoing construction of a deep water port in the town of Kribi in the southern region of the country.The agreement between the Export-Import Bank of china and the government of Cameroon to finance the port's construction was first signed in 2011 and saw a concessionary loan of nearly $400 million granted.This was furthered in 2017 when the export-import bank of china issued a $680 million loan for the second phase of the port's construction.Eighty-five percent of the financing of the port is provided by China,while the remainder is from the Cameroonian government.The state run China harbor engineering corporation (CHEC)is overseeing the construction of the port.

The second largest source of Chinese debt issued to Cameroon is the yaoundé water supply project from the sanaga River(PAEPYS)which aims to address water scarcity challenges in the Cameroonian capital and surrounding localities.Eighty five percent of the project is financed through a loan worth over $678 million from the Export-Import Bank of China,With the remaining 15 percent being provided by the Cameroonian government.The construction of the project is being overseen by the China National Machinery Industry corporation,popularly known as Sinomach,a state owned enterprise.

The third largest source of Cameroon's debt to China is the Memve'ele hydropower dam project located on the Ntem river in the south region of the country.once completed,the dam will have the potential to generate 221MW of hydroelectric power,which the Cameroonian government hopes can address the electricity deficit in the country where approximately 62 percent of the population do not have reliable access to electricity.The project is financed by a $541 million loan from the Export-Import Bank of China,in addition to $190 million from the African development Bank(ADB),and $110 million from the Cameroonian government.This differs greatly from the two aforementioned projects,which are solely financed by China and Cameroon without a third party.The project was

[2] The Implications of BRI in Djibouti: A Critical Geopolitical https://rais.education/wp-content/uploads/2020/08/035FA.pdf

[3] Bone RM (2021) China's role in Cameroon's risk of debt distress. The Diplomat, 16 June. Available at: https://thediplomat.com/2021/06/chinas-role-in-cameroons-risk-of-debt-distress/

originally being implemented by a British firm,but in 2009 the Chinese state owned hydropower company Sinohydro took over the project.The Memve'ele dam has been listed by the world Bank as a project that costs six to eight times more than similar initiatives in countries with comparable levels of development to Cameroon,leading to concerns of corruption and overpaying those assisting in implementation.There has also been opposition to the project from local communities who have been removed from their land to allow for construction.

A Case Study on Infrastructure Development, Debt Accumulation, and Economic Consequences for China's Debt Trap in Cameroon

The dynamics of China's involvement in Cameroon are examined in this case study, with particular attention paid to the effects of Chinese loans and investments on the country's infrastructure, debt sustainability, and economic governance. China and Cameroon have developed a closer economic relationship in recent years, thanks in large part to Chinese loans and investments that support infrastructure development and stimulate the country's economy. On the other hand, worries have been expressed over Cameroon's mounting debt load and its effects on economi[4]c sovereignty, debt sustainability, and governance. In order to understand the dynamics of China's "debt trap" in Cameroon, this case study will examine the causes of debt accumulation, how it affects Cameroon's government and economy, and possible approaches to debt management and sustainable development.

Background

Although Cameroon, a country in Central Africa, has an abundance of natural resources, it also faces serious development obstacles, such as poverty, insufficient infrastructure, and regional inequalities. Cameroon has strengthened its economic relations with China during the early 2000s, benefiting from significant financial aid and investments in vital industries including telecommunications, electricity, and transportation. Infrastructure projects supported by China include building ports, highways, bridges, and hydroelectric dams with the goal of boosting economic growth, raising living standards, and improving connectivity. But concerns have been raised concerning these projects' long-term sustainability, governance consequences, and economic viability—especially in light of Cameroon's growing debt to China

[4] Understanding china's role in recent debt relief operations https://pdf.sciencedirectassets.com/286732/1-s2.0-S2110701721X00029/1-s2.0-S2110701721000172/am.pdf?X-Amz-Security-Token=IQoJb3JpZ2luX2VjEDkaCXVzLWVhc3QtMSJHMEUCIEPe6kbK9IGhPcWC5mTohZcrjgXTqyil%2FknjhnX%2FgJZjAiEAkbk8vpPY8AZQq679FXhDdaxZRy1m1bTY8Hhcatq2hWwqswUIchAFGgwwNTkwMDM1NDY4NjUiDH336FTagCL7cgFmjiqQBaXdV4K1LciBZHx3TzpPl%2F8wiP2Cp%2ByIhrQ6Ermc4JTHMDLVp4UVDrOBPLUC9U%2FAHST7OfawZ3MmMDCMNYae7k09oTdp%2B0D7bOyDUkfk1lLuwOScrfTXDB17WC6qOq5jKdj9c%2BFhdSE%2FMt6Rqpaa6Sb0iwrLqznw3782Kexk0HTEO%2BRKcwuXr5Y9aA08E5IgCW9w15XiUiY6mcYNTBHegSb231W3Q4BqKhNTZR1dGDZRR9SiiuLFqIEFLkZh%2FsWxnD08%2B2WaTyomMiyCogi%2F0ouPeh7Ar6%2Bt23MKvhx15lAniuGfLAUl%2Fm%2F9ESb476K%2F6s1Iq9zYV2R1VwET6C08Fb%2F2EjbF%2BjOkfrmaRRxYmCwb6t8OInIvIbX7Vs5D5JveBPZMIokH%2BApL5K8Rz%2FzTquxd33S3yGYgEoTB6Wn4HOBlPX08iEefRmDmE1s%2FRKsEMIAYuxzHoPEdcpl9dpGnNxh3TmaMIDLWKdfZiSLQXTrIQ2mfIFH6vIo8vHjIahM%2FCSXFtE1B4uEaI%2BtH9GendDGqdZQeRfI0BHI7oSHtFN2OmSH%2FkfPTAmRjVkbiMXVyR3AzPAjiP1RJfhRRZTa32yu9%2FB6BAdBc33jYp3n4aZyoLfTmWxCt6MAT%2Fanogp0OIasWjhwf5TifS2x1ZNtOIj5ywPUsBOu73QdAULhDC3LyCOw1%2BtKkY7qle4%2BAx3bT6XE3GPDk%2FiqswwyaTDsE0OprDCaan6O7NUONhTgDJTbPyICMXWbYdNWHCH66EJDutq1J3ZY8zuroPM41VpmYqYyPquIFyHo9If95vFoeb7Qcrc8E0j2O2IKnuFhy34qEbV7NB5IYXbQV5hoIz27Ej%2BNYCGM2jrPHm8fuAcCdFm14MNmO6bAGOrEBvpAnyhsuBZbVbCTDNMJE1Xunbvo71H%2FH%2B1Ik6KfuBleZ1BW%2FmsueLgNCcZGrbImECZI%2Ba7qm5qmr8qKS%2BHHcY6KKHtD%2FjXHwKZMR4MS50DEFDrwSnJIMPVCJv3SO%2FOk0ImOA2ULFYyG05wkj4zuls%2FZxDLCgzz%2FyijZJweWWRzAze6iExoZzXOW08H4OTBZAHhzZek4uaJBuAUi1vucCA3seyJGXMTHhmkZ1I3OxZwuj&X-Amz-Algorithm=AWS4-HMAC-SHA256&X-Amz-Date=20240413T093607Z&X-Amz-SignedHeaders=host&X-Amz-Expires=300&X-Amz-Credential=ASIAQ3PHCVTY5SDVFC37%2F20240413%2Fus-east-1%2Fs3%2Faws4_request&X-Amz-Signature=8c7b676966bcb91d9dc8b249fa0eeb3519c9af7e5825ccdb735a5dc8297ac4eb&hash=3228a69d5fe7a78b198cde7bffbb1c9ec759d21a57a727bb7b0991e405197208&host=68042c943591013ac2b2430a89b270f6af2c76d8dfd086a07176afe7c76c2c61&pii=S2110701721000172&tid=pdf-d31f533f-ddc1-4de8-a755-0ede058624c0&sid=f3dcb7b659a9724ae47b30f5193bc74046d6gxrqb&type=client

Factors Leading to Debt Accumulation: A number of factors have contributed to Cameroon's debt build-up to China, including:

Infrastructure Development: The Yaoundé-Douala Highway, the Nachtigal Hydropower Plant, and the Kribi Deep Sea Port are just a few of the major infrastructure projects in Cameroon that have been made possible by Chinese loans. Although the goal of these projects is to enhance economic growth and logistics and transportation networks, questions have been raised over their affordability, long-term viability, and potential to increase debt.

Economic Vulnerability: The economy of Cameroon is vulnerable to outside shocks, such as changes in the price of commodities and unstable geopolitical conditions. Because of its reliance on primary commodities like cocoa, lumber, and oil for export earnings, the nation is vulnerable to economic volatility and must rely on outside funding for development initiatives.

Chinese Lending Practices: China has given Cameroon loans with advantageous conditions, such as long payback terms, low conditionality, and concessional interest rates. Although these loans provide quick funding for infrastructure projects, they also bring up issues with accountability, transparency, and the long-term effects on debt sustainability and economic governance.

Consequences for Cameroon's Economy and Governance: Cameroon's growing indebtedness to China has a number of consequences.

Debt Servicing: Cameroon's budget is heavily devoted to repaying Chinese loans, taking funds away from vital social services including healthcare, education, and initiatives to combat poverty.

Economic Dependency: Cameroon's dependence on Chinese financing for economic growth and infrastructure projects makes it more dependent on China, which may jeopardize its independence and sovereignty over policy decisions.

Risk of Debt Distress: Given its mounting debt to China, Cameroon has challenges in meeting its payment obligations, especially in the event of natural disasters, economic downturns, or external shocks.

Governance Challenges: Chinese investments in Cameroon's extractive industries, such as mining and oil, give rise to questions concerning resource management accountability, transparency, and environmental sustainability.

Strategies for Sustainable Development and Debt Management: In order to tackle the issues raised by China's "debt trap," Cameroon may choose to take the following actions:

Transparent Borrowing Practices: To guarantee that loans are utilized wisely and efficiently, borrowing and debt management procedures should be made more accountable and transparent.

Diversification of Financing Sources: To lessen reliance on Chinese loans and lower the risks associated with debt buildup, look for alternate sources of financing from bilateral partners, multilateral institutions, and private investors.

Economic Reforms: Putting structural changes into place to strengthen macroeconomic stability, promote inclusive growth, investment from the private sector, and improve governance.

Debt restructuring through negotiation: To lessen the immediate financial strain on Cameroon and encourage long-term debt sustainability, negotiations should be held with Chinese creditors to restructure loan conditions, lengthen repayment schedules, or investigate debt relief options.

In conclusion, the Cameroonian case study exemplifies the intricate dynamics of China's engagement in Africa, underscoring the advantages and disadvantages of Chinese loans and investments in the advancement of infrastructure. Cameroon may reduce the risks of financial distress and pave the way for sustainable development and economic resilience by enacting economic reforms, expanding its financing sources, and adopting transparent and responsible borrowing procedures.

[56]Risk of Default and Debt Relief

The potential of Cameroon not being able to repay its debts to China became evident when Yaoundé was not able to fulfill some terms of its debt,which resulted in tougher financial conditions that began in 2017.

In 2018,on the sidelines of the Forum on China-Africa cooperation (FOCAC) held in Beijing,the Cameroonian government formally requested that its debt to China be restructured.The severity of the situation and the real probability that Cameroon may not be able to repay its debts was underscored in January 2019 when Cameroon unilaterally withheld debt service payments to China,to which the Export-Import Bank of China responded by freezing payments for projects in Cameroon.In July 2019,Cameroon and China reached an agreement to restructure the payment of debts during the visit of Yang Jiechi,the director of the central Foreign Affairs commission to Yaoundé.The restricting of the debt saw a total of $250 million [7]of payments deferred over the following three years,although Cameroon would still be required to pay back the total amount of each loan by its original due date.In short,the relief would only be temporary and Cameroon would still have to repay the total amount that it owed to the Export-Import Bank of China.Despite the temporary rescheduling of debt payments,China continues to remain the top source of Cameroon's debt.The difficulties that Cameroon will face regarding its debts to China will only increase going into the mid-2020s when large sums of debt are due to be serviced.This situation regarding cameroon's debt to China in addition to other creditors raises serious questions about the Central African country's ability to service its debts.This is not only due to the quantity of the debt,but the continued poor economic figures in the country as a result of political instability and the Covid 19 pandemic.

[8]Unveiling Chinese debt trap in Zimbabwe

The debt trap experienced by Zimbabwe,Cameroon,and Djibouti provides a broader picture of china's economic diplomacy in the Africa.Debt trap has been caused by structural disparity between China as an investor and African countries as investment recipients.china in this case has a more dominant good aspect while African countries are more in need.China's long relationship with Zimbabwe goes long back during the Cold War.China competed with the Soviet Union to protect itself as a force for liberation in Africa.For eg:China trained and supported the Zimbabwe African National Union-patriotic Front or ZANU-PF,which was fighting for the liberation of the Black majority from the white minority government

[5] China to invest $2.8 billion in Zimbabwe in Lithium,energy https://www.bloomberg.com/news/articles/2023-11-01/china-to-invest-2-8-billion-in-zimbabwe-in-lithium-energy

[6] China's role in Cameroon's largest,By R.Maxwell Bone,The Diplomat ,June 16,2021

https://thediplomat.com/2021/06/chinas-role-in-cameroons-risk-of-debt-distress/

[7] CHINA's BRI BRINGS ROADS,RAILS AND DEBT TO AFRICA https://www.voanews.com/a/china-s-bri-brings-roads-rails-and-debt-to-africa/7306133.html

[8] CHINA'S "YUAN DIPLOMACY" A NEW FORM OF DEBT TRAP https://www.newsday.co.zw/international/article/200010351/chinas-yuan-diplomacy-a-new-form-of-debt-trap

led by white supremacist Ian Smith.The country's indigenous from the UK in 1980.This relationship has been unshakable since 2003 when then president Robert Mugabe's government was sanctioned by the west.

The relationship between China and Zimbabwe has been characterised by significant economic engagement particularly in infrastructure development and resource.However,beneath the surface of these investments lies a complex web of financial arrangements that have sparked concerns about Zimbabwe falling into a Chinese debt trap.This essay explores the dynamics of the Chinese debt trap in Zimbabwe,analysing key key projects,implications and the broader context of sino-Zimbabwean relations.The loans saw Zimbabwe's public and publicly guaranteed external debt stock rise to $13.35billion as of the end of December 2021.That debt has also pushed Zimbabwe's domestic debt obligation to unsustainable levels amid indications that the external and domestic debt obligation to unsustainable levels amid indications that the external and domestic debts are now over $19billion.However it is the foreign debt that is giving the authorities headaches given the volatility of the local currency and mounting arrears especially accurring from Chinese loans.Zimbabwe has also been mortgaging it's vast mineral resources in exchange for loans from China.Zimbabwe is already defaulting on active loans from China,which is affecting the disbursement of funds for ongoing projects.

[9]The fear of falling into a "debt trap"looms for Zimbabwe,as the country grapples with economic challenges,political instability,and the legacy of past financial mismanagement.High levels of external debt,coupled with limited fiscal increases concerns about the sustainability of Zimbabwe's debt burden.One prominent example is the construction of the Victoria Falls international airport,financed by a loan from the Export Import Bank of China.While infrastructure development is crucial for Zimbabwe's economic growth,questions arise regarding the feasibility of such projects and their capacity to generate sufficient returns to service the debt.Concerns have been raised about the lack of transparency surrounding loan agreements and the potential risks of default,which could compromise Zimbabwe's sovereignty and economic autonomy.

Chinese Investments in Zimbabwe:

Chinese Investments in Zimbabwe has played a significant role in shaping the country's economic landscape and infrastructure development.Over the years,China has emerged as one of Zimbabwe's key economic partners,with investments spanning various sectors of the economy.Chinese investment in infrastructure development is one of the most prominent aspects of China's engagement in Zimbabwe.Chinese companies have been involved in the construction of roads,bridges,airports,railways and energy infrastructure across the country.Prohects such as the expansion of the Victoria Falls International Airpory and the rehabilitation of major road network have been financed and executed with Chinese assistance.These investments aim to enhance Zimbabwe's connectivity,stimulate economic growth,and improve living standards for the population.

China's interest in Zimbabwe's abundant natural resources,including minerals such as gold,platinum,diamonds,and lithium,has led to significant investments in the mining sector.Chinese companies have acquired stakes in Ximbabwean mines and have been involved in exploration,extraction and processing activities.China's investments in Zimbabwe's mining industry

[9] China's many projects in Zimbabwe https://thechinaproject.com/2023/08/29/chinas-many-projects-in-zimbabwe-its-all-weather-friend/

have contributed to revenue generation,employment creation,and export earnings,but they have also raised concerns about resource exploitation and environmental sustainability.[10]

Chinese investments in Zimbabwe's agricultural sectors has focused on Agribusiness,irrigation projects,and mechanisation initiatives.Chinese companies have invested in large scale commercial farming operations,processing facilities and agricultural machinery.These investments aim to modernise Zimbabwe's agricultural sector.Chinese investment has also contributed to Zimbabwe's manufacturing and industrialisation efforts.Chinese companies have established factories,production facilities,and industrial parks in Zimbabwe,manufacturing a range of products including Textiles,electronics,and consumer goods.These investments have created employment opportunities transferred technology and stimulated the economic diversification.However,Challenges such as infrastructure constraints,regulatory issued,and market competition remain obstacles to the growth of Zimbabwe's manufacturing sector.

China's Debt Trap in Zimbabwe: A Case Study Analysis

With an emphasis on the effects of Chinese loans and investments on Zimbabwe's debt sustainability and economic development, this case study examines the dynamics of China's participation in the country's economy.Zimbabwe's growing debt and reliance on Chinese loans for infrastructure development have drawn a lot of attention to the country's relationship with China in recent years. In order to understand the dynamics of China's "debt trap" in Zimbabwe, this case study will look at the causes of Zimbabwe's debt to China, the effects these debts have on the nation's economy and sovereignty, and possible approaches to debt management and sustainable development.

[11]Background

Southern African landlocked nation of Zimbabwe has faced economic difficulties as a result of political unrest, poor economic management, and outside shocks. Zimbabwe has looked on China for financial support and investment in vital industries like mining, agriculture, and infrastructure since the early 2000s. Major initiatives including the development of a new parliament building, the expansion of Harare's airport, and investments in the mining industry have been made possible by Chinese loans and investments. Although the goals of these projects are to improve connection and spur economic growth, questions have been raised regarding their long-term debt sustainability, governance consequences, and economic feasibility.

Factors Contributing to Debt Accumulation:

Zimbabwe's accumulation of debt to China can be attributed to several interrelated factors:

Economic Vulnerability: Zimbabwe is dependent on outside funding for development initiatives due to its economy's sluggish growth, high inflation, and restricted access to foreign capital markets.

Chinese Lending Practices: China has given Zimbabwe loans with advantageous conditions, such as long payback terms and discounted interest rates. The opaque and unaccountable lending processes in China, however, have sparked worries about unstated expenses and possible hazards related to debt buildup.

[10] 1000 ZIMBABWEAN ASKED WHAT THEY THINK OF CHINESE INFLUENCE ON THEIR COUNTRY.ONLY 37% VIEWED IT FAVOURABLY. https://theconversation.com/we-asked-1-000-zimbabweans-what-they-think-of-chinas-influence-on-their-country-only-37-viewed-it-favorably-206381

[11] Zimbabwe in the sights of china's debt trap diplomacy http://zimfieldguide.com/harare/zimbabwe-sights-china%E2%80%99s-debt-trap-diplomacy

Infrastructure Projects: Zimbabwe's debt load has been greatly exacerbated by infrastructure projects funded by China. Although the goals of these initiatives are to increase connectivity and promote economic development, concerns have been expressed regarding their long-term growth potential, sustainability, and economic feasibility.

Consequences for Zimbabwe's Economy and Governance: Zimbabwe's economy and governance are affected in a number of ways by its growing debt to China.

Debt Servicing: Zimbabwe's budget is heavily burdened by repaying Chinese loans, taking funds away from vital social services like healthcare, education, and infrastructure upkeep.

Economic Dependency: Zimbabwe's reliance on Chinese financing for economic growth and infrastructure projects makes it more dependent on China, which could jeopardize its independence and sovereignty in matters of policy.

Default Risk: Should Zimbabwe be unable to meet its loan payments, it may default on the debt, which would have a negative impact on its credit rating, cause capital flight, and restrict its access to international financial markets.

Governance Challenges: Chinese investments in Zimbabwe's extractive industries give rise to questions regarding resource management accountability, transparency, and environmental sustainability.

Techniques for Sustainable Development and Debt Management:

In order to tackle the obstacles presented by China's "debt trap," Zimbabwe may want to take into account using the subsequent tactics:

Transparent Borrowing Practices: To guarantee that loans are utilized wisely and efficiently, borrowing and debt management procedures should be made more accountable and transparent.

Diversification of Financing Sources: To lessen dependency on Chinese loans, look for alternate sources of funding from bilateral partners, multilateral organizations, and private investors.

Economic Reforms: Putting structural changes into place to strengthen macroeconomic stability, promote macroeconomic governance, and create an atmosphere that is favorable to private sector investment and economic diversification.

Debt restructuring negotiations: Reaching out to Chinese creditors to renegotiate loan conditions, prolong repayment plans, or investigate debt relief alternatives in order to lessen the immediate financial strain on Zimbabwe.

In conclusion, the Zimbabwean situation highlights the trade-offs between China's long-term debt sustainability and sovereignty vs the short-term development gains associated with its involvement in Africa. Zimbabwe may reduce the risks related to Chinese credit and pave the way for sustainable development by enacting economic reforms, expanding its financing sources, and establishing transparent and responsible borrowing policies.

IMPLICATIONS OF THE CHINESE DEBT TRAP IN ZIMBABWE:

The Chinese debt trap has far reaching implications for Zimbabwe’s economy and sovereignty.The implications of the Chinese debt trap in Africa reverberates across economic,political,social and environmental dimensions,shaping the continent’s development trajectory

1)**Economy Dependency:**

Zimbabwe's reliance on Chinese loans exacerbates it's economic dependency on China,undermining its financial autonomy and decision making capabilities.The influx of Chinese investment,while initially stimulating economic growth,has created a scenario where Zimbabwe is increasingly tied to Chinese financing,leaving it vulnerable to shifts in Chinese economic policies and global market trends

2)Soverignty concerns: The terms and conditions of Chinese loans often raise sovereignty concerns as they may involve collaterization of strategic national assets,such as mineral resources and land.The collateralization of natural resources raises sovereignty concerns,as it potentially compromises Zimbabwe's control over its own assets and resources.In the event of debt default,Zimbabwe risks losing control over it's critical resources and infrastructure to Chinese creditors,undermining its sovereignty and economic autonomy.

3)Fiscal Strain: Zimbabwe's accumulating debt burden from Chinese loans has strained its fiscal resources and undermined its financial stability.High debt servicing obligations divert funds away from essential social services such as healthcare,education,and poverty Alleviation programs.This perpetuates a cycle o[12]f borrowing to repay existing debts,exacerbating Zimbabwe's debt distress and constraining its ability to invest in sustainable development initiatives.

4)Limited Development Impact: Despite significant investments,the development impact of Chinese projects in Zimbabwe remains questionable.Issues such as project quality,employment generation and local community benefits often come under scrutiny.Without meaningful and sustainable development outcomes,Chinese investments may fail to address Zimbabwe's structural challenges and contribute to long term economic transformation.

5)Environmental and social impact: Chinese investments in Zimbabwe's natural resource extraction and infrastructure development have significant environmental and social implications.Large scale infrastructure projects may lead to environmental degradation,deforestation,and displacement of local communities without adequate compensation or mitigation measures.Moreover,the influx of Chinese workers and labour practices may exacerbate social tensions and contribute to exploitation and labor rights violations.

6)Political Influence and Diplomatic Relations:

Zimbabwe's growing economic dependence on China has implications for it's political dynamics and diplomacy relations.Closer economic ties with China may influence Zimbabwe's foreign policy decisions and diplomatic alignments,potentially shifting its geopolitical orientation away from traditional western allies.This can have broader implications for regional stability and international relations in Southern Africa.The implications of the Chinese debt trap in Zimbabwe are profound and multifaceted,posing significant challenges to Zimbabwe's economic integrity and social welfare.Addressing these implications requires transparent governance structures,responsible lending practices and sustainable investment strategies that prioritise the long term interests and well being of the Zimbabwean people.Moreover,Zimbabwe must diversify its sources of financing,strengthen it's institutions and pursue inclusive and sustainable development pathways to reduce it's vulnerability to external debt traps and foster genuine economic resilience and prosperity.

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[12] ZIMBABWE CHOKED UNDER WEIGHT OF $13 BILLION CHINA LOANS https://www.theeastafrican.co.ke/tea/rest-of-africa/zimbabwe-chokes-under-weight-of-china-loans-3886082

Inflation,Drought Push Djibouti to suspend loan payments to China :

Big things are happening in the tiny African nation of Djibouti.A poor country which sits on the Gulf of Aiden-a critical corridor for international shipping and security operations in an important but unstable neighbourhood.As it struggles with rising inflation and continuing drought,Djibouti has become the latest country to suspend its payments on Chinese debt.Djibouti is among 22 African countries considered to be in financial distress,according to the world Bank.Like Djibouti,many of them carry heavy Chinese debt burdens.Djibouti owes money to Chinese-owned Institutions,such as the Exim Bank of China,rather than the government itself.That means it's debts are unlikely to be forgiven and more likely to be renegotiated with payments extended further out into the future.Unlike other countries,such as Angola,Djibouti does not have a valuable natural resources like oil to offer in place of cash to repay its debt.It's strategic location on the Red Sea,however means China will be forced to come to some other accommodation,according to Chatham House.Djibouti's citizens are increasingly concerned about the scale of their country's debt to China.A potential default on its Chinese debt raises the threat f the country triggering a debt trap that would enable China to take control of one or all the projects it has funded to get back its loss.That could mean Djibouti loses control over its port or international free Trade Zone along with Telecommunications and rail transportation systems the Chinese have financed.

China's Base in Djibouti

China's establishment of it's first overseas base in Djibouti in 2017 made international headlines.Djibouti has received billions of dollars in finance from China in recent years,fueling concerns about debt traps that could cripple Djibouti's development.china's base in Djibouti is a perfect example.It is a strategic launching pad for the 'protection of distant seas'-an official doctrine of china's naval strategy from 2015.Chinese grants finance projects including schools,hospitals,libraries,childcare centres,and sports facilities.Yet not all Chinese money flowing into Djibouti can be categorised as aid.China expects it's investment in the DIFTZ to be profitable,particularly for its state owned operator,China Merchants Group.As for Chinese infrastructure loans,some have been offered at concessional rates while others are commercial loans with more stringent conditions.

This combination of aid with more commercially oriented financing is a key feature of china's geoeconomic playbook.China deliberately combines aid,direct investment,service contracts,labour cooperation,and trade deals to maximise the viability and flexibility of its assistance.In just two years,Djibouti's public debt has ballooned from fifty to eighty-five percent of GDP,and is expected to reach 87.5percent of GDP in 2018-more than double the average for low-income economies.Chinese loans for an Ethiopia-Djibouti water pipeline and railway alone amount to half of Djibouti's annual GDP.Despite all the warnings from the International Monetary Fund(IFM)that Djibouti will struggle to service its massive debts,the country continues to borrow from China.In 2016,Chinese loans to Djibouti were about twice the combined values of loans from the world bank,The African development bank,Arab countries,The European Union,and other funders.Djibouti's future in now more linked to China than to any other partner that operates a base in its territory.Debt could leave it beholden to China and compromise it's ability to accommodate other foreign military bases.China's promise of development assistance may prove hollow,with only ten percent of the US$14 billion it has pledged for infrastructure investment actually committed.But Djibouti has few choices.And that means in the win-win situation between Djibouti and China,China could well win more

China's Debt Trap in Djibouti: An Analysis of Strategic Interests, Infrastructure Investment, and Debt Sustainability

Due to its advantageous location in the Horn of Africa, Djibouti has become a major center for international trade and maritime logistics, drawing interest from Chinese and other foreign businesses. China has been a major source of funding for Djibouti's important infrastructure projects, including industrial zones, ports, and railroads. On the other hand, worries have been expressed over Djibouti's mounting debt load and its effects on economic autonomy, debt sustainability, and regional stability. In order to better understand the dynamics of China's "debt trap" in Djibouti, this case study will analyze the variables that lead to debt accumulation, the effects that debt has on Djibouti's governance and economy, and possible approaches to debt management and sustainable development.

Background

The strategic location of Djibouti at the intersection of important maritime lanes linking Europe, Asia, and Africa is vital to the country's economy. The nation has made the most of its geographic advantages to draw in international capital and build vital infrastructure, solidifying its position as a major center for logistics and transportation. China has become one of the region's largest investors in Djibouti, lending money and financing infrastructure projects meant to improve connectivity, spur economic expansion, and increase China's strategic might. But given Djibouti's growing debt to China, concerns have been expressed concerning the long-term sustainability, governance ramifications, and economic feasibility of Chinese-funded projects in the country.

variables Leading to Debt buildup: A number of interconnected variables have contributed to the debt buildup of Djibouti towards China.

Investment in Strategic Infrastructure: Major infrastructure projects in Djibouti, such as the Doraleh Multipurpose Port, the Addis Ababa-Djibouti Railway, and the Djibouti International Free Trade Zone, have been made possible by Chinese loans. Although the goals of these projects are to boost Djibouti's competitiveness as a regional trade hub, boost economic growth, and improve logistics and transportation networks, questions have been raised regarding their financial sustainability, economic feasibility, and potential to contribute to debt accumulation.

Geopolitical Considerations: Djibouti is a focal point for geopolitical struggle and strategic rivalry among regional and global powers because to its advantageous location at the entrance to the Red Sea and the Bab el-Mandeb Strait. China has geopolitical as well as commercial interests in Djibouti's infrastructure, including the ability to project power in the Indian Ocean region, secure sea lines of communication, and gain access to military bases and naval facilities.

Debt diplomacy: China frequently finances infrastructure projects in Djibouti with an eye on achieving geopolitical goals, such as obtaining access to natural resources, influencing political outcomes, and growing its influence throughout Africa and beyond. Although Chinese loans provide quick funding for economic initiatives, they also bring up questions about Djibouti's debt sustainability, accountability, and transparency.

Consequences for Djibouti's Economy and Governance: Djibouti's growing debt to China has a number of consequences for the country.

Debt servicing: Paying back Chinese loans takes up a large amount of Djibouti's budget, taking funds away from initiatives that fight poverty and other vital social services like healthcare and education.

Economic Dependency: Djibouti's reliance on Chinese financing for economic growth and infrastructure projects makes it more dependent on China, which could jeopardize its independence and sovereignty in matters of policy.

Risk of Debt Distress: Djibouti's ability to pay back its debts, especially in the event of natural disasters, economic downturns, or external shocks, is called into question due to the country's mounting debt to China.

Governance Challenges: Concerns regarding accountability, transparency, and environmental sustainability in resource management and governance are brought up by Chinese investments in Djibouti's infrastructure and critical assets.

Strategies for Sustainable Development and Debt Management: In order to tackle the issues brought about by China's "debt trap," Djibouti may want to take into account implementing the following measures:

Transparent Borrowing Practices: To guarantee that loans are utilized wisely and efficiently, borrowing and debt management procedures should be made more accountable and transparent.

Diversification of Financing Sources: To lessen reliance on Chinese loans and lower the risks associated with debt buildup, look for alternate sources of financing from bilateral partners, multilateral institutions, and private investors.

China's Military and Economic Prowess in Djibouti:

The New Djibouti,one of the countries at the heart of China's multibillion-dollar "Belt and Road Initiative is struggling under mounting financial pressure and has suspended debt repayments to China it's main bilateral creditor.Apart from pushing the small country into unsustainable debt,china's Djibouti investment is also be[13]ing seen as an outstanding example of its military expansionism and strategic design.China has created vast commercial and military interests in Djibouti.It's strategic position on the Horn of Africa's Bab-el-Mandan strait which controls access to the Red Sea and the Suez Canal has made Djibouti a major destination for Chinese capital,especially in the maritime and free trade zones,according to a report by the European Times.

Developing countries like Djibouti are fascinated towards China in the hope of getting funds to create vital infrastructure.According to the Boston University's Global Development policy centre data,Djibouti took USD 1.5 billion from Chinese lenders between 2000 and 2020.This is a huge amount,given the limited avenues of revenue in Djibouti to repay the loans.Djibouti occupies a strategic position at the intersection of major international shipping routes,making it a crucial hub for global trade and maritime navigation.It's ports serve as vital gateways for goods travelling between Asia,Africa,and Europe.Recognizing it's geopolitical significance,China has invested heavily in Djibouti's infrastructure,including ports,railways and airports as part of it's BRI strategy to enhance connectivity and trade links across continents.

Chinese Investments in Djibouti:

Djibouti has been referred to as a 'flashpoint' in the strategic competition that is emerging and expanding between the United States and China.Chinese investments in Djibouti represent a key component of China's broader Belt and Road Initiative and reflect China's strategic interests in the Horn of Africa.These investments primarily focus on infrastructure development,particularly in the areas of ports,railways,and logistics,aiming to enhance Connectivity,facilitate trade,and expand Chinas economic influence in the region.A fairly large portion of Djibouti's debt is from bilateral economic and infrastructural agreements with China.This has put the country in a swamp,and some consider the debt unrealistic to defray without providing China concessions.

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[13]China's logistic hub in Djibouti to stabilise region and protect interests https://www.globaltimes.cn/content/973900.shtml

[14]China's investment have been instrumental in the development and expansion of Djibouti's port infrastructure.The Doralrh Multipurpose port,operated by China Metchant Group,stands as a flagship project and one of the largest ports in East Africa.It serves as a crucial transshipment hub for goods travelling between Asia,Europe and Africa benefiting from it's strategic location along major international shipping routes

Another flagship Chinese-funded airport project is the Addis Ababa-Djibouti Railway,a 756-kilometer electrified railway connecting Ethiopia's capital city,Addis Ababa,to Djibouti's port city.The railway,constructed by Chinese companies and financed with Chinese loans,significantly reduced transportation costs,enhanced region[15]al connectivity and facilitates the movement of goods and passengers between landlocked Ethiopia and Djibouti's maritime ports.

Chinese investments in Djibouti have significant economic and geopolitical implications for both China and Djibouti,as well as for regional Dynamucd in the Horn of Africa and beyond.For China,Djibouti represents a critical node in its BRI network,offering access to key maritime routes,resources and markets and serving a gateway to East Africa and beyond.Chinese investment contribute to Djibouti's economic growth,infrastructure development and regional integration aspirations,while also raising questions about debt sustainability,environmental impact and governance standards.

In addition,to civilian infra projects,Chinese investments in Djibouti include the construction of military facilities and strategic infrastructure.China's establishment of a military facilities and strategic infrastructure.China's establishment of a military base in Djibouti in 2017 marked it's first overseas military installation,reflecting it's growing strategic interests and security concerns in the region.The base provides logistical support for Chinese naval operations,contributes yo counter-piracy efforts in the Gulf of Aden,and underscores China's expanding maritime presence in the Indian Ocean.

While these investments offer opportunities for economic development,connectivity,and cooperation,they also pose challenges related to debt sustainability,governance and regional stability.The massive debt owed to China appears to frighten the United States and the other nations in tune with Djibouti's reality of being suspectible or vulnerable to interference within its government structures,especially when combined with the lack of transparency on the terms and conditions of the loans obtained from China.There are also legitimate concerns with respect to the security of data carried by Huawei undersea fiber-optic cables and that malicious cyber actors.The United States or the European Union may consider it impractical to set up mechanisms to contain the pressures of economic and political migration to China within the African continent,especially Djibouti.[16]Balancing the benefits

[14] China's military base in Djibouti
http://m.timesofindia.com/articleshow/59565210.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

[15] Inflation,Drought push Djibouti To suspend Loan payments to China,Jan 17 2023
https://adf-magazine.com/2023/01/inflation-drought-push-djibouti-to-suspend-loan-payments-to-china/

[16] Sage journals

November 16,2022

https://journals.sagepub.com/doi/abs/10.1177/00219096221137673 and risks of Chinese investments require transparent and accountable governance,responsible lending practices and inclusive development strategies that prioritize the long term interests and welfare of the Djiboutian people.Therefore it may be appropriate to accommodate and cautiously nurture China's investments to avoid unruly confrontation.