Choosing the American Model

Development Finance as a Soft Power Tool in Africa

American Security Project

Perspective

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Jonathan Madeira

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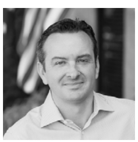

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In this Report:

Over the next century, states in Sub-Saharan Africa will become some of the most important players in the international system. Whether states in Africa look towards Washington or Beijing for development assistance will go a long way towards determining the future balance of power.

This report explores how development finance can be a soft power tool and a means to achieve U.S. national security goals, namely competing with China. Specifically, this report examines how development finance relates to U.S. national security, the state of the U.S. development enterprise amidst recent changes, Chinese investment in Africa, and why the U.S. model for development finance is superior to the Chinese model.

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IN BRIEF

- As great power competition becomes the focus of U.S. national defense policy, the U.S. will seek to counter Chinese influence all over the globe. One of the most important regions of competition will be Africa, where Beijing has steadily increased investment activity since the turn of the century.
- One of the primary ways Sino-U.S. competition will manifest is through soft power tactics such as development finance.
- The U.S. passed legislation that modernized U.S. development finance practices by creating the Development Finance Corporation. A modern development finance institution will allow the U.S. to better compete with China in the developing world. The U.S. has also launched a number of specific initiatives to increase investment and engagement with African states as a means to increase U.S. influence and compete with Chinese influence.
- Chinese investment activities across Africa threaten U.S. national security by creating heavy debt burdens for African governments that China could leverage to gain access to strategic resources use to pressure these states to align with its foreign policy goals.
- The Chinese model of development finance in Africa creates long-term dependence and benefits Chinese nationals more than nationals in the target states. On the other hand, the U.S. model seeks to create self-reliance and benefit the citizens of a project's host country.

About the Author

John Madeira is an alum of the Pennsylvania State University's School of International Affairs and Adjunct Junior Fellow at the American Security Project. In May 2020, John graduated with a Master of International Affairs degree that focuses on non-traditional security threats, such as climate change, food/energy/water security, asymmetric operations, and economic competitiveness and African studies.

Introduction

For the first time since the terrorist attacks of September 11, 2001 the United States has shuffled its national defense priorities. The release of the 2018 National Defense Strategy (NDS) saw great power competition supplant terrorism as the Pentagon's top priority. Specifically, the report identifies two states – China and Russia – as the targets of long-term, strategic competition. Across Africa, China carries much more weight than Russia in terms of activity and influence. Moscow is still active on the African continent, and becoming more active each day, but Russian activity is nowhere near as substantial or influential as China's activity.

One key tool the U.S. and China will use as they jockey for influence in the coming years is development. The global appetite for development is high, and countries are making strategic choices about how to pursue their development goals. Key to enabling development is the means by which it is financed. Broadly, any definition of development finance features a few important components:

1. The use of public sector resources to facilitate private sector investment in low- and middle-income countries;
2. Investment taking place where commercial or political risks make purely private capital difficult to attract;
3. Investment having a positive impact on the state's development.

Development finance institutions all over the world use a number of tools, including direct loans, loan guarantees, and equity investments to fund development projects as well as to mitigate political or commercial risk.

As Beijing and Washington compete for global influence, Africa will be a proving ground and primary theater of competition. Financing development in Africa is especially important given the financial gap between what states need and what the governments can invest. Historically, African states have turned to the World Bank or International Monetary Fund (IMF) for loans, but bilateral agreements – such as between the U.S. and an African state or China and an African state – are also very popular.

Investing in Africa's development is especially important for three reasons: to ensure stability, to ensure Africa's promising future be obtained, and to help develop one of the largest free trade markets in the world. Using the right tools for investment is critical for tilting Africa away from the temptation of cheap Chinese development schemes, and into the American-led free market system.

Effective development in Africa has been difficult, particularly as stability on the continent has been an issue since the end of the colonial period in the 1960s. Today, instability in Africa presents a host of challenges. In the Horn of Africa, the Western Sahel, and increasingly in Mozambique, terrorism has taken root as al-Shabaab, Boko Haram, and the Islamic State's West African Province, among others, have destabilized entire regions. Political discord, such as the 2019 protests in Sudan, have become increasingly popular and health issues, including Ebola virus disease outbreaks and the COVID-19 pandemic, remain a challenge to many underdeveloped states across Sub-Saharan Africa.

If stability continues to be an issue, then the promising future Africa could see is in serious jeopardy. Africa will undergo drastic demographic changes that include a major boom in population – 40% of the world's population will be African by 2100, much of which will be very young. [1] The changing demographics place Africa in a prime position to reap the rewards of the demographic dividend.

Finally, investment in Africa will help develop one of the largest emerging markets in the world. The African Continental Free Trade Area (AfCFTA) entered into force on 30 May 2019 for the 24 countries that had deposited the necessary instruments of ratification. The AfCFTA, when fully operational, will join all 55 African Union member states in a single market – a market of more than 1.2 billion people and a combined GDP of more than $3.4 trillion. However, one of the major issues with intra-African trade continues to be having access to the necessary infrastructure to facilitate trade.

Development Finance & National Security

Development finance is a soft power tool that can be used to benefit U.S. foreign policy. Given the amount of investment China has been pumping into Africa and a return to great power competition as the top defense priority for the United States, modernizing the U.S. development finance enterprise to compete with China across Africa is a matter of national security.

Development Finance & The U.S. National Security Strategy

Trade and development are an integral part of the U.S. National Security strategy (NSS). The NSS is broken into four pillars, one of which is advancing American influence and development finance is a soft power tool that can be used to advance American influence.

On trade and development, the 2017 NSS says, "Trade, export promotion, targeted use of foreign assistance, and modernized development finance tools can promote stability, prosperity, and political reform, and build new partnerships based on the principle of reciprocity."[2] The 2017 NSS also states that in developing countries one of the priority actions for U.S. national security is to "modernize its development finance tools so that U.S. companies have incentives to capitalize on opportunities in developing countries. With these changes, the United States will not be left behind as other states use investment and project finance to extend their influence. In addition, the U.S. Government must not be an obstacle to U.S. companies that want to conduct business in the developing world."[3]

The Better Utilization of Investments Leading to Development (BUILD) Act that established the Development Finance Corporation (DFC) was necessary to modernize the U.S. development finance enterprise and further U.S. national security objectives. If the U.S. demonstrates a superior model of development finance whereby the targets of that development find themselves better off than under the Chinese model, this could increase attraction to the U.S. and its sphere of influence.

The State of U.S. Development Finance

U.S. development finance practices have gone through significant changes during the Trump administration. The Overseas Private Investment Corporation (OPIC) served as the development finance institution for the U.S. Government for more than forty years but was replaced by the U.S. Development Finance Corporation following the passing of the BUILD Act.

Since the DFC is a successor organization to OPIC, there is a substantial amount of similarity between the two:

1. The DFC is also an entirely government owned entity in the Executive Branch of the government.

2. The DFC also, under the guidance of the Secretary of State, works with private sector companies to finance solutions to some of the most pressing challenges developing world is facing.

3. The DFC fulfils this mission by offering four main services: debt financing, political risk insurance, equity financing, and support.

However, the important aspect of the DFC is how it *differs* from OPIC:

1. The DFC has more tools to provide investment support, such as the authority to make limited equity investments and provide technical assistance.[4]

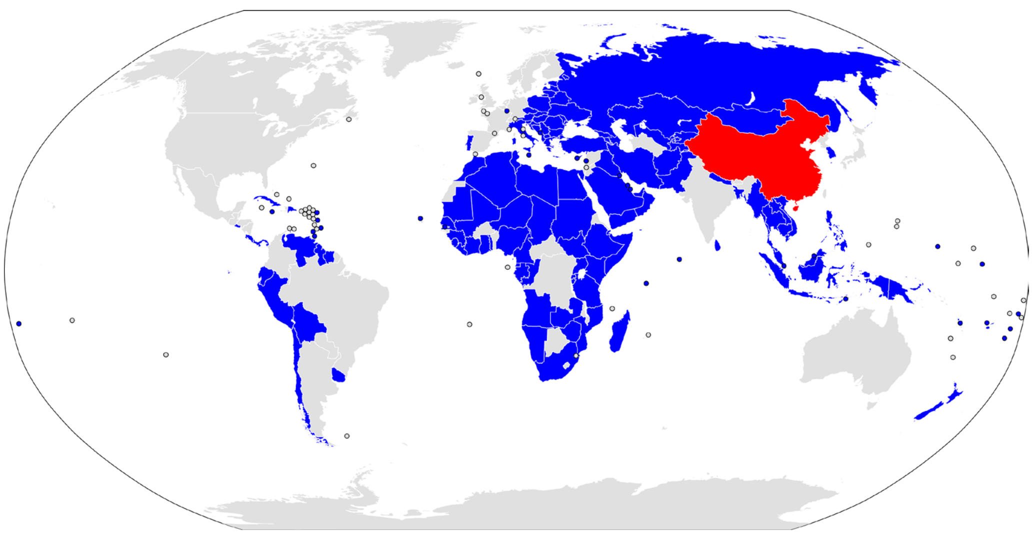
2. The DFC has more capacity with a $60 billion exposure cap, up from the $29 billion exposure cap OPIC had.[5]

3. The DFC will have a longer authorization period (seven years) compared to OPIC's year-to-year authorization through appropriate legislation.[6]

4. The DFC combines elements formerly under the jurisdiction of USAID into one, centralized organization.

While the BUILD Act does not mention China by name, one of the primary justifications for the BUILD Act – and thus the DFC – was countering the Chinese Belt and Road Initiative (BRI) and, more broadly, China's growing influence in developing economies. The DFC will do so by aiming to advance U.S. influence in developing countries by incentivizing *private* investment instead of the Chinese model of *state-directed investment*.[7] The Trump administration and Congress have been critical of China's financing model due to concerns over transparency, lack of environmental and societal safeguards for projects, and employing questionable lending practices that create unsustainable debt burdens.

It is important to note that while the DFC is a government owned corporation, the DFC itself does not invest in developing states, but rather supports private sector companies in their investment in developing countries. The DFC has a list of minimum criteria, such as the project complying with certain environmental standards, respecting human rights and workers' rights, and positively impacting the local community, that must be met by private companies before support is granted.



The Chinese Belt & Road Initiative includes almost all African states (Belt & Road states are indicated in blue. Image source: Owennson / Wikimedia Commons. CC BY-SA 4.0

Initiatives to Further U.S. Influence in Africa

The U.S. has multiple whole-of-government initiatives designed to boost engagement and investment across Africa: Connect Africa, Power Africa, and Prosper Africa. OPIC – and now the DFC – were/are both key partners to these initiatives. These programs are important because of the positive impacts they have on the local communities in African states, which is critical to winning the battle for influence across the continent.

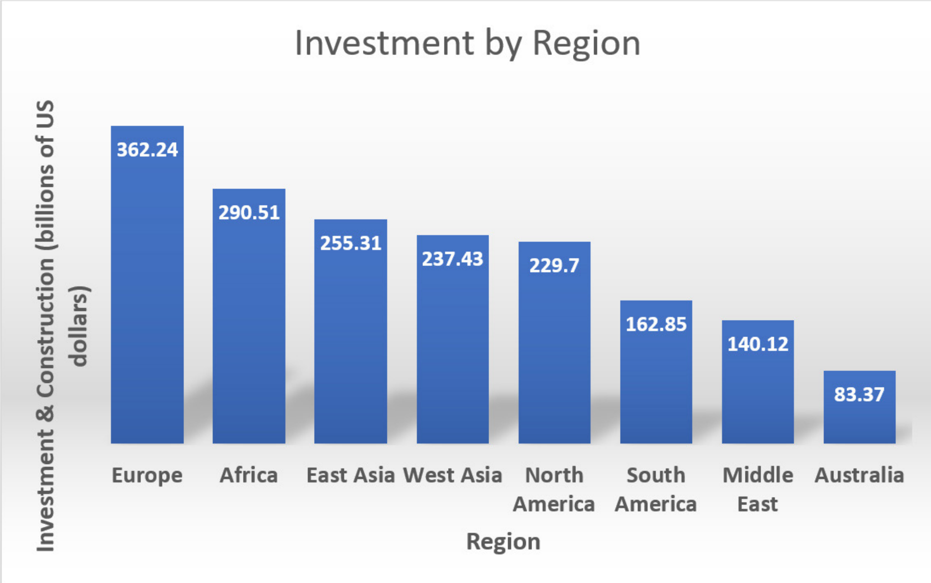
1. Connect Africa: A DFC initiated program that will invest $1 billion over a three-year period in various projects across Africa. These projects are designed to foster economic growth and better connect Africa with the global economy. The development of infrastructure that Connect Africa assists with will be especially crucial to driving economic development by making intra-African trade easier. Intra-African exports have increased over the last 25 years (10 percent in 1995 to 17 percent in 2017), but still remain far behind levels seen in Europe (69 percent), Asia (59 percent), and North America (39 percent).[8] Not only will intra-African trade drive economic development, but instilling the ideals of free trade that came with the creation of the U.S.-led global world order can go a long way to ensuring Africa develops by looking to the U.S., not China.

2. Power Africa: A U.S. government led partnership that brings together the resources of more than 170 public and private sector partners to increase access to electricity in Sub-Saharan Africa.[9] One of the biggest contributions of the Power Africa program is bridging the financing gap. The funding needed to electrify Sub-Saharan Africa is far greater than the financial capacity of African state governments and foreign donors. Thus, Power Africa aims to de-risk investments so that public and private investors alike will help fund the necessary power generation projects.[10]

3. Prosper Africa: A government initiative designed to create opportunities to do business in Africa. The initiative seeks to double U.S.-Africa trade, drive U.S. and African economic growth, and "demonstrate the superior value proposition of transparent markets and private enterprise driving growth."[11] While not explicitly stated, Prosper Africa has a subtle anti-China flare to it by wanting to show the superior value of transparent markers and private enterprise-driven growth.

Chinese Investment Activity in Africa

Since the turn of the century, China has slowly but surely increased activity across Africa. Whether diplomatic, militarily, or through financial investment, the Chinese presence across the world's second largest continent has become larger and larger. The biggest avenue of Chinese activity in Africa has come through financial investment and construction, where total investments and construction across all sectors in Sub-Saharan Africa has topped $300 billion since 2005.[12] China views this investment in Africa as a means to boost its greater national strategy, especially the BRI. While the BRI is global in scope, Africa is a strategically important player for China's global ambitions. Zhang Hongming, Deputy Director of the Chinese Academy of Social Sciences African Studies Institute wrote in 2017, "It is no mere rhetoric that China needs Africa. Africa has political, economic, and even strategic resources that China uses in order more effectively to expand its interests – thus turning operations in Africa into a strategic outer line for China's geopolitical strategy of great power relations."[13] Since the launch of the BRI, more than more than 80 percent of African states have signed onto the initiative.[14]



Source: Data from the American Enterprise Institute China Global Investment Tracker

Sino-African Investment Agreements

One of the most public displays of warming Sino-African relations is the Forum on China-Africa Cooperation (FOCAC). Meetings of the FOCAC have led to important policy suggestions regarding China-Africa engagement, especially in the world of development finance.

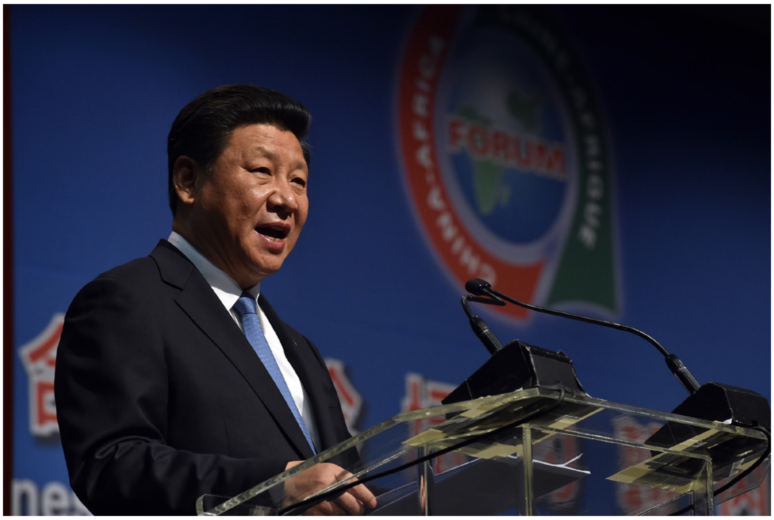
The first ministerial conference of FOCAC took place in October 2000 and included more than 80 ministers from China and 44 African countries, representatives from 17 regional and international organizations, and people from the business communities in both China and Africa.[15] Most importantly, the first conference "charted the direction for the development of a new, stable and long-term partnership featuring equality and mutual benefit between China and African countries."[16]

The 2006 FOCAC, held in Beijing, led to the creation of the China-Africa Development Fund. The Fund, which was established at an initial scale of $5 billion, seeks to promote practical cooperation between China and African countries, and supports and encourages Chinese companies to invest in Africa.[17] The China-Africa Development Fund is notable for three reasons:

1. It was the first Chinese equity fund dedicated to investment in Africa.
2. It's committed to speeding up industrialization, agricultural modernization, and independent sustainable development in African countries.
3. It seeks to solve three major issues in African economies: underdeveloped infrastructure, human resources, and funding shortages.

The 2015 FOCAC, held in Johannesburg, South Africa, saw Chinese President Xi Jingping announce ten major plans to boost cooperation with Africa over the next three years. These plans were designed to upgrade the China-Africa relationship to a comprehensive strategic cooperative partnership.[18] The package announced by President Xi covered a large scope of areas, including peace and security, people-to-people exchanges, public health, poverty reduction and public welfare, green development, industrialization, agricultural modernization, financial services, and trade and investment protection.[19]

To ensure the initiatives are smoothly executed, President Xi also announced China would offer $60 billion of funding support, including $5 billion of free aid and interest-free loans, $35 billion of preferential loans and export credit on more favorable terms, $5 billion of additional capital for both the China-Africa Development Fund and Special Loan for the Development of African SMEs (small to mid-sized enterprises), and a new fund – a China-Africa production capacity fund – with an initial limit of $10 billion.[20]



Chinese President Xi Jingping speaks during the 2018 FOCAC in Johannesburg, South Africa. Photo credit: GovernmentZA / Flickr. CC BY-ND 2.0

The most recent meeting of the FOCAC in 2018 produced similar results to the 2015 meeting. President Xi announced $60 billion in new financing for Africa, with $50 billion coming from the Chinese government and the remaining coming from private investment.[21] The $50 billion offered by the Chinese government is broken down into three categories: $20 billion in new loans, $15 billion in foreign aid, and $15 billion in two funds. The 2018 financing plans also feature a subtle, but important, shift: less money being offered through interest-generating credit lines and more through grants or interest-free loans.

China as a New Source of Finance

The influx of cash from Beijing into Africa represents a major change for African governments seeking investment. Over the last decade, many Sub-Saharan African countries began to tap into the international capital market for additional resources as an attempt to bridge the financing gap. According to the African Development Bank, infrastructure needs in Sub-Saharan Africa amount to $130-170 billion per year with a financing gap of $68-108 billion.[22]

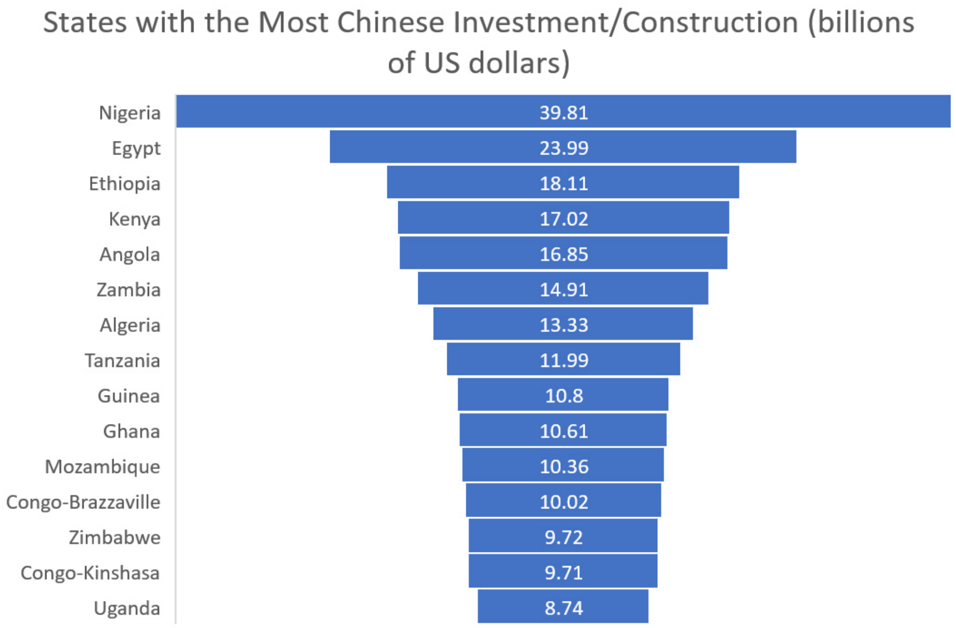
Tapping into international capital markets for financing is a novel practice for African economies. Until the early 2010s African countries had largely borrowed from bilateral or multilateral institutions such as the World Bank or IMF, and to a limited extent commercial banks and private creditors. As the newest wave of globalization has swept across the world, capital flows from rich regions of the world have had a huge impact on Africa. States now have an alternative to seeking loans from the World Bank or IMF that have historically not been successful in driving positive economic development.

Much of the cash flowing from Beijing into Africa comes from two state-owned banks. The China Development Bank was founded as a policy financial institution under the direct leadership of the State Council in 1994.[23] The bank was officially defined by the State Council as a development finance institution in 2015. The other major state-owned bank in China is the Export-Import Bank of China (EXIM Bank). The EXIM Bank is a state-funded and state-owned policy bank that is an independent legal entity but falls directly under the leadership of the State Council. The EXIM Bank is dedicated to supporting China's foreign trade, investment, international economic cooperation, and is a key player in China's going global strategy.[24]

Where Does China Invest in Africa?

According to the China Investment Tracker, China invested in 42 of the 55 African Union member states between 2010-2019. In total, across all sectors, Chinese investments and construction contracts have added up to $290.51 billion during the last decade.[25] That accounts for almost 17% of total Chinese investment worldwide over the same period.[26]

During the last decade, the African state that has seen the most investment is Nigeria ($39.81 billion). The next four highest are Egypt ($23.99 billion), Ethiopia ($18.11 billion), Kenya ($17.02 billion), and Angola ($16.85



Data from the American Enterprise Institute China Global Investment Tracker

billion). It's no surprise to see Chinese investment has focused primarily on states in Africa that are resource rich, like Angola or Nigeria, and states that are leaders on the continent and geopolitically important, like Egypt, Ethiopia, and Kenya. Beijing focuses its financial investment on states crucial to achieving its state-determined strategic goals, which are primarily ensuring access to resources and using China's excess capacity in construction and transportation.[27]

Chinese "Debt-Trap" Diplomacy

One of the biggest concerns with levels of Chinese investment in Africa is the fear of creating a debt-trap that Beijing can exploit to gain influence within states or access to territory and raw materials.

In Africa, there is precedent for overborrowing leading to disastrous economic conditions. In the 1970s and 1980s African states borrowed extensively to ease the economic pain following failed economic and social policy choices, along with other factors like worldwide macroeconomic shocks and local climactic shocks. By 1982, the debt burden in Africa was so severe that the ratio of outstanding debt to the value of exports was 162%, and by 1986 the ratio increased to 291%.[28] African economies were choking under the weight of their debts – debts that were initially contracted in the 1960s and 1970s to build physical and social infrastructure, similar to what is occurring today.

China also has a history of using debt-traps as a diplomatic tool to gain access to strategically important resources. In Sri Lanka, the economy floundered due to huge debts that were owed to China as part of the BRI and declining levels of currency reserves. In order to manage the debt, Sri Lanka was forced to lease the Hambantota Port, a project largely financed by Beijing, back to China for almost a century. China's leasing of the Hambantota Port has ignited fear in India that China, their long-time rival, will use the port to militarize the Indian Ocean.

Image source: CIA Factbook

In Africa, China has numerous opportunities to use a debt-trap model to gain influence or access to resources. One of the most vulnerable countries is Djibouti. The small African state has attempted to transform the economy into a regional logistics and trade hub by investing in infrastructure, as evident in the current condition of the Addis Ababa-Djibouti Railway. However, the Djiboutian government has financed the railway and other landmark infrastructure programs largely through a buildup of external public and publicly guaranteed (PPG) debt. By 2018, PPG debt reached 71 percent of GDP with more than 40 percent being owed to the Export-Import Bank of China.[29]

The strategic importance of Djibouti has made it an attractive investment opportunity for China. Given its geographic position on the Red Sea and Gulf of Aden, Djibouti sees about one third of all global shipping pass by on the way to/from the Suez Canal, Indian Ocean, and Red Sea.[30] Djibouti is also home to the first overseas military base for the Chinese People's Liberation Army, making it even more strategically important to the Chinese. Should the Djiboutian government find itself in a position similar to Sri Lanka – unable to repay Chinese debt – Beijing could offer debt forgiveness in exchange for greater influence in the state.

Aside from Djibouti, there are a number of other African states who could find themselves on the other end of a Chinese debt trap. Of the 50 countries with the highest external debt to China (measured in debt stock as a share of GDP), African states occupy half the list.[31] Djibouti is the highest of *any* country and fellow African states Congo, Niger and Zambia also occupy spots in the top ten. Congo, Niger, and Zambia are all well-endowed with natural resources including oil, uranium, coal, gold, copper, cobalt, lead, and zinc, among others. If external debts grow to insurmountable sums, these states could see their natural resource endowments shipped off to Beijing instead of being used to invest in their domestic economies.

A major issue with mounting debt stocks in resource rich countries (which many African states are) is the volatility of primary commodity exports. Primary commodities, such as the oil and minerals previously mentioned, are vulnerable to external shocks in the global economic system. If prices drop, revenue for states dependent on resource exports will also drop, which can put payment plans in danger and increase the chances of defaulting on a loan.

One example of this is the COVID-19 pandemic that swept across the world at the end of 2019 and well into 2020. In order to combat the virus many states implemented social distancing measures & shut down non-essential businesses, which greatly impacted demand for primary commodities, The measures taken to combat the pandemic are also expected to bring about the largest global economic shrinkage since the Great Depression of nearly a century ago.[32]

The oil crash brought on by COVID-19 shows the volatility of primary commodity prices: when the virus first hit China in late 2019, oil prices began to trend downwards. However, by early March Brent crude prices had fallen from $66 to $50 per barrel as the virus spread to South Korea, Germany, and Italy.[33] On top of that, a geopolitical spat over oil production between two of the world's largest producers, Russia and Saudi Arabia, in March and April sent prices further crashing down towards just over $30 per barrel.[34] Eventually, the oil market became so bad that prices went negative.

In sum, massive global economic contraction and drops in commodity prices due to low demand puts resource dependent African economies in a difficult place. These conditions could also force China to face multiple debt crises in states with a large amount of Chinese investment. Some of the states most vulnerable to debt or currency crises brought on by COVID-19 are located in Africa, such as Djibouti, Mozambique, Zambia, and the Republic of Congo. China could offer a helping hand by providing debt forgiveness, but could also use this as an opportunity to capitalize on vulnerable economies and increase resource imports as it seeks to jumpstart its own domestic economy.

It appears as if China is leaning towards the offering a helping hand approach when it comes to COVID-19. In June 2020 China announced it would pause debt payments for 77 states, a policy in-line the agreement reached by the G-20 states in April.[35] However, with regards to Africa specifically, a delay does not mean forgiveness. While delaying debt payments may help developing states combat the COVID-19 pandemic, debt levels remain very high and will still need to be repaid eventually.

Chinese Dollars & Foreign Policy Objectives

As China's economic might has grown, so too has its ability to use economic leverage to obtain foreign policy goals. One example is Taiwan. The sovereignty of Taiwan has been one of the central policy issues for the People's Republic of China (PRC). The PRC considers the island of Taiwan, or the Republic of China (ROC), to be just another province of China under Beijing's control – not a sovereign state or independent entity - and seeks reunification of the two governments.

One way the PRC puts pressure on Taiwan is by isolating the government in Taipei. As China has moved into Africa, one of the barriers to Chinese-African cooperation is recognition of the ROC. During the 2018 FOCAC China welcomed three new states: the Gambia, Sao Tome and Principe, and Burkina Faso. The common theme amongst the newcomers to the summit in 2018 is that since the last conference, held in 2015, all three had severed ties with Taiwan and established diplomatic relations with the PRC. Today there is only one African state – Eswatini – that still has diplomatic relations with Taiwan, despite efforts from the PRC to get Eswatini to change its allegiance. It is widely believed that the economic power of China – especially the promise of loans and foreign aid – played a major role in the three states decisions to sever ties with Taiwan.

Supporting the government of Taiwan is one of the most important focuses of U.S. foreign and security policy in East Asia, despite cutting formal relations with Taiwan in 1979. The U.S. policy towards Taiwan is officially carried out by the American Institute in Taiwan and has been "to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan."[36] If the PRC is using access to its investments as a means to isolate Taiwan, providing alternatives to Chinese investments in developing regions should be a cornerstone of U.S. security policy in Asia.

The DFC as an Alternative to Chinese Investment

Chinese development practices in Africa are staunchly different than those of other donors, including the United States. The Chinese strategy in Africa is one that encourages long-term dependence, not self-reliance. China focuses on Chinese-led projects and investments that use Chinese labor and technicians and do not benefit the host country long-term by developing institutional or technical expertise.[37] For example, from 2009-2018 the average number of Chinese workers in Africa each year was more than 215,000.[38] Beijing focuses much of its assistance on infrastructure needs, but also on projects like presidential palaces, ministerial buildings, stadiums, and industrial parks that are owned and operated by Chinese nationals. The projects may not have much benefit for everyday Africans, but they can have enormous benefit for China. For example, China gifted the African Union a new headquarters and paid for/built the computer network in the building. However, China also inserted a backdoor in the comptuer system that gave Beijing access to confidential information for more than five years before it was discovered.[39] In general, the nature of these projects often leads to corruption and a boost to Chinese political standing that erodes confidence in other donors.

Secretary of State Mike Pompeo conducts joint press availability with Angolan Foreign Minister Manuel Domingos Augusto in Luanda, Angola. State Department photo.

On the other hand, the U.S. approach is one that focuses on capacity and institution-building as a means to promote self-reliance. The goal of promoting self-reliance is to build the ability and skills needed within a state so that it does not need to be dependent on foreign aid. U.S. Secretary of State Mike Pompeo summed up the U.S. approach to development finance when he spoke at a news conference in Luanda, Angola. Secretary Pompeo stated, "When we come, we hire Angolans. We do high-quality work. It's transparent. Not every nation that comes here to invest does that. There's no political objective."[40] While there may be some political objective (i.e. supporting American values, American businesses, and extending U.S. soft power), U.S. policy seeks to foster long-term growth and development in African states. Washington's approach is not short-sighted policy that offers eye-popping dollar signs to exploit natural resource reserves and do not benefit the African people.

Job creation in Africa is a major determinant of the continent's future success. According to a study by McKinsey, "the world's second-fastest-growing region must speed up job creation to sustain its successes."[41] The U.S. development finance model that hires local workers to do projects benefits the people in and economy of the country hosting the project. China, on the other hand, wants to finance projects that benefit China and Chinese nationals the most. Beijing may come to African capitals with huge dollar signs, but their projects are aimed more at achieving Chinese strategic goals – such as securing access to natural resources or isolating Taiwan – and not at developing the economies of states.

Conclusion

With the publication of the 2018 NDS, the U.S. shifted its defense goals from counterterrorism to long-term, strategic competition with Russia and China. When it comes to Africa, the main target of U.S. competition has been China. One of the most important ways Beijing and Washington will jockey for influence in the coming years is through development finance as African states need to bridge the financing gap. China has invested incredible sums of money into the continent over the last ten years, but the motivation for Chinese investment has been purely self-interest. China uses its state-owned policy banks to invest in Africa to secure access to resources and to achieve foreign policy goals like isolating Taiwan. However, the U.S. model of development finance – one that champions private sector investment and development of the local economy – should be a more desirable option for African governments in the coming years, especially if Africa is to develop into the geostrategic player it is projected to be by the end of the century.

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