

COVID-19: China silent amid global calls to give Africa debt relief

29/04/2020 16:26 by admin

The World Bank and the IMF have announced immediate relief measures, including freeing up billions in debt payments and expectations for help from China are high across resource-rich Africa, but Beijing has remained silent.

Chinese President Xi Jinping (AP Photo/Mark Schiefelbein/File)

Kampala: African leaders are asking what China can do for them as the coronavirus pandemic threatens to destroy economies and wipe out some 20 million jobs across a continent where Beijing is both the top trading partner and top lender.

The World Bank and the International Monetary Fund have announced immediate relief measures, including freeing up billions in debt payments and expectations for help from China are high across resource-rich Africa, but Beijing has remained silent.

China holds about a third of Africa's sovereign debt. Demand for Chinese-backed capital to build everything from highways to hydroelectric dams has left countries heavily indebted, leading to concerns about a debt trap and even loss of sovereignty.

Many of those countries, including oil exporters such as Angola, spend a substantial chunk of their budgets servicing debt while health and education suffer.

Any respite would be welcome for a country like Uganda, whose finance minister says "shocking deficits" in the past year have forced authorities to borrow to keep the government running. Uganda's national debt stood at over \$10 billion in 2018, nearly a third owed to China, according to official figures.

"We have strong bilateral relations with China, but they haven't come to us saying anything," the minister, Matia Kasaija, told The Associated Press.

China has been noncommittal beyond its support, as a member of the G-20 group of wealthy nations, for a moratorium that frees up to \$20 billion in debt payments through 2020 for low-income countries.

Some analysts predict that actual debt forgiveness looks unlikely and that China, despite its enormous influence in Africa, will avoid unilateral measures despite global pressure.

Ghana's finance minister has said he expects more from Beijing.

"My feeling is that China has to come on stronger," said Ken Ofori-Atta, speaking to the Washington-based Center for Global Development. "I think our Africa debt to China is over \$145 billion, about \$8 billion in payments required this year. So that needs to be looked at. It's just an apocalyptic moment."

Asked whether China would offer debt relief to Africa, Chinese foreign ministry spokesman Zhao Lijian on April 7 said he believed "China will resolve these countries' difficulties via consultation through diplomatic channels."

In a statement emailed to the AP, the foreign ministry said China had "overcome difficulties" in helping Africa with shipments of medical supplies to help fight the pandemic. "China will continue to provide assistance to Africa within

its capabilities and in accordance with the development of the epidemic and Africa's needs," it said.

China's footprint on the continent has been expanding as some African leaders, favoring the perceived lack of political strings that come with Chinese capital, have turned to Beijing while other funders hesitate over corruption and other concerns.

In turn, China has been keen to exploit Africa's vast natural resources in countries such as war-ravaged South Sudan, where Chinese firms dominate the oil sector.

Angola had received up to \$42.8 billion in Chinese loans by 2017 and repays its debt partly by channeling more of its crude to China. This means Angola, Africa's second largest oil producer, is left with less oil to put on the market.

The Chinese government, banks and contractors extended \$143 billion in loans to African governments and companies from 2000 to 2017, according to the China Africa Research Initiative at Johns Hopkins University.

But Beijing's commercial focus on the region is one reason some analysts believe debt forgiveness or cash donations are out of the question. Countries seeking China's help to keep projects running likely will end up becoming more indebted, said Nathan Hayes, Africa analyst at the Economist Intelligence Unit.

"Many debt-financed projects will come under enormous strain this year as revenues dry up, and many will need to be refinanced and renegotiated. Many of these will be financed by China, giving the country opportunity to renegotiate terms," he said.

"Debt-for-equity swaps may ultimately be a more sustainable deal for African countries, depending on the terms, and they may have little choice."

In a notable example, state-owned China Merchants Group bought back half of a port in Sri Lanka in 2017 after the Sri Lankans fell behind in repaying \$1.5 billion in loans from Beijing.

- AP