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EAST AFRICA REGION AMID CHINA – US TENSIONS: THREATS AND OPPORTUNITIES

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Abstract: In this less-predictable multipolar world, China and the United States are perceived as two superpowers with vested interests in the value of the East Africa region. The region is a key node in the Chinese project “One Belt, One Road,” with Chinese economic and political presence most prominent in Kenya, Zambia and Zimbabwe. Kenya, as an apparent geopolitical point of tension, is the main state stronghold for China in the region. At the same time, it maintained its attachment to the Western Block in the course of the Cold War even since its independence. In neighbouring Somalia, the United States influence is most marked, with presence through military operations and NGOs. States in the East Africa region are attempting to gain ‘the best of two worlds’, between Chinese expansionism and the continued enticement of US economic power. The paper explores how identities are shaped or influenced by major international economic realignments. It asks, what are the responses in the states of the region to the newly established circumstances and potential for (re)colonization of the economy and the mind in an era of indeterminacy.

Keywords: threats, opportunities, China, sub-Saharan Africa, USA.

INTRODUCTION

According to the UN, the region of East Africa consists of Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mayotte, Mozambique, Reunion, Rwanda, Seychelles, Somalia, South Sudan, Tanzania, Uganda, Zambia, Zimbabwe (UNStats.un.org). The shores of the region have access to the Red Sea, the Gulf of Aden and the Indian Ocean. The west coast of the Red Sea represents one of the key trade and communications points among Africa, Asia and Europe. Since the XV century, the Red Sea has represented the fastest route among the Mediterranean Sea, the Black Sea and

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the Indian Ocean. Importance of the Red Sea became even greater after the construction of the Suez Canal.

Bab el Mandeb is a strait located between the Arabian Peninsula (Yemen), and Djibouti and Eritrea. It connects the Red Sea to the Gulf of Aden, which makes it strategically important. Only 29 km wide, the Bab el Mandeb strait is the third-largest strait in terms of oil transfer volume right behind the Turkish and Danish Straits (EIA Official web site).

The region of East Africa has vast natural resources including natural gas, gold, copper and other minerals, uranium, graphite and significant deposits of fish near its shores. The East Africa region has always been the object of competition among great powers.

The goal of this paper is to analyze the position of the East Africa region amid US-China rivalry. Africa is usually viewed as a theater (object) of US-China competition. We will try to avoid that typical framework and put Africa in focus (subject) of analysis. In terms of methodology we strive to emulate SWOT² analysis in order to identify strengths and weaknesses of the current American and Chinese policies in the region, and more importantly to recognize opportunities and threats that may arise from current policies in the foreseeable future. Opinions regarding the involvement of China and the United States in sub-Saharan Africa differ. Dambisa Moyo (Moyo, 2009) is very critical towards the US operations, while she advises caution regarding Chinese engagement. Deborah Brautigam (Brautigam, 2009) describes US policies as indolent and Chinese policies as highly pragmatic but predatory and dangerous for Africans. Joseph Onjala (Onjala, 2016, Onjala, 2017) on the other hand believes that Chinese investments are inevitable considering geopolitical situation nowadays. He thinks the Chinese are the only able and willing to fulfill the needs of the African continent; therefore, their involvement is a good thing in itself.

It is our strong belief that the biggest opportunity lies in the regional integration of East African countries. Thus, countries of the region could resist any potential attempts of neocolonialism, which is the biggest threat for the region.

INTERESTS OF THE USA AND CHINA IN AFRICA

A draft of the new US policy towards Africa was presented on 13 December 2018 at Heritage Foundation, Washington, D.C. by the US National Security Adviser, John Bolton. As Bolton himself pointed out, the policy of Trump's

² SWOT (S= strengths, W=weaknesses, O = opportunities, T= threats) analysis is a business planning technique invented by Albert Humphrey in the late 1960s.

Administration towards Africa reflects the essence of Trump's general policy – putting the interests of the American people first. The strategy focuses on the three key interests of the United States:

Firstly, promotion of US trade interests while hoping that economic partners in the region prosper and take their fate in their own hands. Bolton noted that the United States has expected reciprocity rather than subservience.

Secondly, preserving US security interests: fighting Al Qaeda, Al Shabab, and similar organizations.

Thirdly, the US will seek to ensure that US taxpayers' money that goes to aid is spent effectively. According to Bolton in Fiscal Year of 2017, the Department of State and USAID provided approximately \$8.7 billion in development, security, and food assistance to Africa. He also emphasized the inefficiency of the UN peacekeeping missions, heavily criticized in his speech. The United States will re-evaluate its participation and support to UN peacekeeping missions. Moreover, the US will not financially support, nor give legitimacy to missions involving poorly equipped local soldiers. In fact, the USA will support only effective missions that can fulfill their goal, and the goal is to resolve conflicts – not to freeze them. In his last remark about UN peacekeeping missions, Bolton said the United States has strongly condemned sexual offenses committed by the peacekeepers (remarks by National Security Advisor Ambassador John R. Bolton, December 13, 2018).

Although Bolton claims that America's vision for the region is the one of the independence, self-reliance and growth—not dependency, domination and debt, it is not clear how that vision will be implemented. A new initiative called “Prosper Africa” (which will support U.S. investment across the continent) is being proposed, but there are still no concrete projects. There is only a “wish list” to improve the overall business climate in the region and support Africa's middle class.

When we analyze the proposed strategy in-depth, we see many contradictions: Bolton himself admitted that the main focus of US strategy was to improve opportunities for American workers and businesses. It is hard to believe that the interests of Africa coincide with the interests of the United States.

This brings us to the real purpose of Trump's Africa policy actually directed at containing China whose policy in the region is being described as predatory by Bolton. According to him, the main Chinese objective is to gain a competitive advantage over the United States. Bolton states that China's policy in the region is characterized by corruption and excessive money borrowing to African governments, which will later allow China to keep African countries hostage because of (alleged) debt slavery. However, the biggest threat to US interests in the region is China's OBOR³ initiative. This initiative is considered to be a project

³ OBOR= One Belt One Road

of Chinese global dominance (remarks by National Security Advisor Ambassador John R. Bolton December 13, 2018).

To conclude, the US Africa strategy is mostly about China, then America and the least about Africa. The United States does not offer any tangible economic projects to Africa except occasional spectacular announcements of the new Marshall's Plan for Africa. It offers development aid and a "value package" of democracy, human rights and transparency.

Relations among China and the African countries go deep into the past, but we will limit the analysis to the 21st century. The year 2000 is the year of the first FOCAC⁴ meeting that represents a new platform for Sino-African relations and leads to institutionalization of these relations. Another year of significance for the development of Sino - African relations is the year 2006, which has been declared as the year of Africa in China's foreign policy.

Compared to other "emerging economies", China has developed the most comprehensive approach regarding Africa. Its "African policy" consists of three key pillars: improvement of trade relations, investment and development assistance.

At the core of the Chinese donation policy is the "Five Principles of Peaceful Coexistence", which were defined in 1954 and now shapes China's cooperation with Africa. Those are:

1. Respect of sovereignty and territorial integrity;
2. The principle of non-violence;
3. Non-interference with internal issues;
4. The principle of equality and mutual benefit
5. The "principle of peaceful coexistence" (Haifang, 2010, p. 55).

China insists on the terminology that illustrates cooperation among the countries of the Global South, at the heart of this discourse are terms such as "friendship", "solidarity", "partnership relations" and "equality" (Ibid).

Underneath the friendly narrative we can identify Chinese geostrategic interests in the region: (1) using Africa's natural resources (2) access to new (local) markets, (3) increased competition in the domestic Chinese market, (4) the transfer of overwhelming domestic workforce.

⁴Forum on China–Africa Cooperation (FOCAC)

THREATS FOR THE EAST AFRICA REGION

First threat –Djibouti military bases

Djibouti's position on the northwestern edge of the Indian Ocean and southern entrance to the Red Sea allows Djibouti to control access to the Suez Canal and the Bab el Mandeb strait. Djiboutian ports overlook trade roads that account for 25% of the world's exports into Asian and Mediterranean markets (Aawsat 2018). Nowadays, the geostrategic location of Djibouti is even more important due to the ongoing war in Yemen. Djibouti hosts more foreign military bases than any other country. Djibouti is willing to host foreign militaries because they generate more than \$300 million in annual income. Five countries have military bases in Djibouti: France, Italy, Japan, USA and China. Especially concerning is the proximity of China's base and a sophisticated US base Camp Lemonnier with a staff of over 6,000 marines; the distance between two bases is only 10km. (Global Times, 7.5.2018).

The combination of the OBOR and the new military base has also opened new opportunities for Djibouti to rebrand itself as a logistics center. The Chinese state-owned telecom China Telecom has chosen Djibouti as the site of a high-speed internet hub. Moreover, the government of Djibouti has announced plans to build a large new airport with intention to utilize its proximity to the Middle East (China Telecom, December 5; Global Risk Insights, December 5). If successful, proximity to the OBOR could allow Djibouti to extend beyond its role as host to foreign armies. (SCMP, 2 December 2016).

The proximity of various military facilities produces tensions, and it is certainly a security risk for the East African region. US officials have accused Chinese counterparts of targeting their aircraft with lasers which harmed the eyesight of US pilots. Chinese authorities rejected these accusations (China Morning Post, 2.5.2018.).

Second threat – US bilateral policies

Since Donald Trump became the President of the United States, he withdrew from the Paris Climate Agreement, TPP, the Iran Nuclear deal, etc. A clear pattern can be identified: the USA is dismantling multilateral agreements and tries to re-negotiate its position bilaterally. Trump's Administration took one step back, from globalism to classic American imperialism. We believe that key to African economic progress is integration (both within East Africa and the African continent in general). Bilateral actions might lead to the creation of proxies and emulating the Cold War environment. In a very fragile and sensitive region such

as East Africa with a history of conflict, these events would have severe consequences.

One potential problem is a peace deal with Eritrea and Ethiopia. Peace deal itself is a fantastic event, and it is regarded as a positive thing not just for East Africa but as a great victory for the Western world. If the United States and Eritrea create a new relationship, Eritrea could be a plan B for the American military base in the region, since Djibouti is overly friendly with the Chinese (Foreign Policy, 12 July 2018). Eritrea's President Isaias Afewerki, now in his 27th year in power, can be considered as an autocrat and the US is certainly no stranger to supporting autocrats who behave in accordance with American interests.

Somalia represents another very serious problem. Somalia has been highly unstable for almost three decades and recently the USA has made the situation even worse. The USA was conducting an air campaign in Somalia which a former US government official described as a "massive war on autopilot". This year alone the US Air force conducted around two dozen airstrikes which had at least 252 civilians killed. The US Army and its AFRICOM command deny these allegations labeling the victims as terrorists or collateral damage (Democracy Now, 5 March 2019). Somalia is an ideal war zone for US military: There is an obvious "bad guy" embodied in the form of Al Shabaab; most of the airstrikes are conducted by drones that are no longer needed in Syria, so the risk of American casualties is low; Somalia is poorly covered by the media and more importantly has little congressional oversight which allows all kind of military actions to take place with impunity. We strongly believe that this "black ops-like" warfare can only have negative consequences for the region.

Third threat – Crushing the local African industry and creating jobs for third parties instead of local jobs.

A well-known critic of African socialism George Ayittey said that Chinese impact on African economies had been disastrous. African textile industry has been destroyed by cheap Chinese textile imports. The Chinese are also invading sectors traditionally reserved for locals such as small retail shops. Claims of Ayittey have been confirmed by former Harare Mayor Bernard Manyenyeni. Manyenyeni stated that the influx of cheap products has negatively affected Zimbabwe's clothing, manufacturing, electrical and equipment sectors. Linda Masarira, national spokesperson for the opposition party Movement for Democratic Change (MDC) said that the effects of cheap Chinese goods on the Zimbabwean market have been negative and huge. The Opposition Party (DOP) leader Harry Peter Wilson proposed "phased out" importation ban on cheap Chinese goods to boost the capacity of local industry and create jobs (The Epoch times, 15 January 2019). George Ayittey also claims that China-Africa agricultural

cooperation is actually a secret Chinese plan to offload population surplus within China.

At the beginning of massive Chinese investments in Africa, the Chinese did import a great number of the domestic labor force. African authorities have recognized that increasing employment is a major challenge. Therefore, in 2013 the Ugandan Government adopted a law according to which all investments in the oil sector must include domestic companies and employment of domestic laborers up to 48% (Концова. 2016, pp. 48-49). Over time, by reducing cultural barriers and establishing mutual trust, the number of Chinese workers gradually decreased in favor of local workers. Chinese workers remained in supervisory positions and positions that require key expert knowledge (Brautigam, 2009).

On the other hand, the damaging impact of development aid on small entrepreneurs was best described by Dambisa Moyo in her book *Dead Aid*. She gives an example of a local African mosquito nets producer who remained unemployed due to USAID malaria program that involves free sharing of the nets (Moyo, 2009, pp. 52-53).

Regardless of Bolton's vision of creating business opportunities in Africa, Americans have few workers and entrepreneurs in the region. In fact, one of the basic development aid policies is the ban on financing manufacturing activities that could represent competition to the U.S.

In order to reduce this threat, East African countries should implement legislation similar to one in Uganda and enforce it. Moreover, to reduce imports of cheap low-quality Chinese textile products and limit the import of low-quality second-hand clothes that comes to Africa via humanitarian aid. Paul Kagame in Rwanda is already implementing this measure.

Fourth threat – Chinese debt trap

The story of Sri Lankan port of Hambantota serves as a scarecrow to all countries that do business with China. In short, the Chinese government gave a one billion dollar loan to Sri Lanka to construct the port (actually the port has been constructed by Chinese companies). The port could not generate revenue, therefore the Sri Lankan government was forced to give 99 year-long lease agreement of the port to a Chinese state-owned company to repay the debt. This story is being exploited by the Western media to exaggerate the risks of taking Chinese loans (The New York Times, 25 June 2018; BBC News, 26 May 2017).

In fact, Chinese loans comprise only 10% of the total Sri Lankan debt. The government of Sri Lanka simply borrowed too much on commercial terms and the Chinese loan for the port of Hambantota was just a final straw (CNA 15 March 2019). One could also say that giving real estate as collateral is much more

benign for a country than to completely change the economic system, which is the usual condition by the IMF and the WB.

In case of East Africa, as Joseph Onjala points out, taking Chinese loans is not a terribly difficult choice because levels of domestic savings and investments are pretty low and money is necessary if you want to develop (Onjala, 2017).

UNCTAD report on the risk of debt distress from 2016 states that the majority of East African countries have low risk: Ethiopia, Kenya, Madagascar, Tanzania, Uganda. Only two countries in debt distress are Zimbabwe and Sudan (UNCTAD, 2016). Let us look at some of these countries individually.

In August 2018, the total public debt in Kenya was 56.4% of GDP, approximately \$49 billion. Half of that amount or \$24.9 billion is the external debt (The conversation, 5 August 2018). For a country with a population of 51 million⁵, these trends are quite positive. In comparison, Serbia's public debt in February 2019 was 50.4% of GDP (it was 70% in 2015) (The Serbian Ministry of finance section for public debt, February 2019). The population of Serbia is less than 7 million.

China indeed holds 72% of Kenya's external debt of approximately \$5.34 billion (534.1 billion of KSH) (Africa Bossiness Daily, 2 August 2018). We can see that Kenya is not in danger of falling into the Chinese debt trap for two reasons: Firstly, Kenya does not have a debt problem. Secondly, the share of Kenya's debt to China is very small compared to the total public debt amount. In a way, this was acknowledged even by the IMF, which changed the Kenyan debt distress from low to moderate in October 2018. The reasons for the negative change are certain fiscal imbalances and overvalued Kenyan shilling, not China (Bloomberg, 24. October 2018).

Tanzania is in a similar position. In the fiscal year of 2017/2018, Tanzania's total national debt stood at \$22.5 billion, which is 43% of GDP. Tanzania's total external debt reached \$16.03 billion (BOT Annual report 2017/2018). The Bank of Tanzania does not provide the official data of external debt holders but it is a general sentiment that China is the biggest bilateral creditor. According to the IMF, Tanzania maintains a sustainable debt level, and low risk of external public debt distress (Tanzania invest, October 2016).

Ethiopia's external debt stock reached \$26.4 billion in 2017/18 fiscal year. As a result, the country's external debt stock to GDP ratio stood at 28.9%. (NBE 2017/2018). According to Professor Alemayehu Geda, Chinese stake at total debt stock is around \$17 billion (New Business Ethiopian, 6 September 2018).

⁵ This is an estimate, the last census was held in 2009.

Therefore, we conclude that anxiety due to exposure to the Chinese debt, for now, is completely unfounded. Several studies and the macro-economic indicators suggest that debt situation faces a low risk of unsustainability. Studies by Ryan and Maana (Ryan, Maana, 2014) and by the IMF (IMF, 2015, IMF 2016) clearly support this conclusion.

Fifth threat – Environmental hazards and poor working conditions

The region of East Africa suffers from many environmental problems such as deforestation, droughts, overfishing and water source degradation. Projections of climate change suggest that East Africa will experience warmer temperatures, a 5-20% increased rainfall from December-February and 5-10% decreased rainfall from June-August by 2050 (Hulme et al., 2001). Furthermore, we are witnessing an increasing number of acute weather disasters, cyclone Idai being the latest, which devastated Central Mozambique and parts of Zimbabwe. Nevertheless, real problems usually occur after the disaster in the form of infectious diseases, famine and shortage of clean drinking water. These catastrophic events inflict additional blows on already poor infrastructure in the region.

The aspect of Chinese engagement which is the most criticized is Chinese ecological and labor-safety standards. The focus of criticism is Chinese mining operations in Zambia. In April 2005, fifty-two Zambians were killed in a mining accident. That was the spark that led to massive discontent with Chinese investments. In a keynote speech, former Zambian President Michael Sata stated that Chinese labor conditions were very bad. He also stated that they did not add any value to what they claimed was an investment. Such high-level political attention fueled the discontent. In August 2008, more than five hundred Zambian workers attacked a newly built Chinese-owned Chambishi Copper Shelter and burnt down the kitchen of a Chinese-resident. One Chinese and three Zambians were seriously injured. In another accident that attracted a lot of media attention in 2010, a Chinese supervisor at the Collum Coal mine in Southern Province shot thirteen Zambians. The workers at the mine were complaining against the state of safety standards in the mines and their low wages (chinoiresie.info). In that point in time, it was widely recognized that Zambian authorities are not particularly worried about the polluted environment and that local legislation on environmental protection is poor (Gordon, 2012, p. 7). In response to this, as of July 2007, the government had increased the number of inspections of vehicles, logistics, and staff at the Mines Safety Department (MSD). According to official data, inspections conducted by officials at the MSD increased from 260 in 2004 to 1,269 in 2014. In October 2015, a union leader at the NFCA mine told me that the 2006 protest positively changed safety and labor relations at the mine. (chinoiresie.info).

The African Union also points to the connection between environmental changes and Chinese investments, but Chinese investments are generally treated as welcome. China considers international standards as Western standards and rejects it. (Gordon, 2012, pp. 9-10).

Nevertheless, some changes are evident in China's policy as well. Since March 2008, China has established a new Ministry of Environmental Protection, reflecting leaders' growing concerns about the impact of pollution, energy consumption, and global warming. China Exim Bank published new guidelines for social and environmental impact assessments in July 2008, aligning the bank's approach with the central government's "Green Credit" policy. Furthermore, that same year the Chinese Academy for Environmental Planning started drafting environmental guidelines for Chinese companies involved investment (Brautigam 2009, 303). China is trying to invest in renewable energy. China's low-carbon investment in Africa is mainly in the field of hydropower development. In Zambia, more than 1,000 MW of hydropower capacity is being developed between the Kafue Lower Gorge and the Kariba North projects. Cooperation projects also include the Mphanda Nkuwa Dam on the Zambezi River in Mozambique (Shikwati, 2012, p.37).

Other examples include Ethiopia, with a hydro potential of 30,000 MW. China's hydropower industry has three major advantages: low cost, skills and the nation's "going out" strategy. (Ibid, p.40).

On the other hand, the USA as an official government is not dealing with environmental issues in East Africa. That job is left to NGOs. According to Scholfield and Brockington, there are 139 conservationist NGOs in East Africa. Almost half of these organizations i.e., 65 of them have their headquarters in the United States (Scholfield, Brockington, 2009, pp. 14-15). Concern for African nature is not entirely well-intended. In fact, it is a residual of colonial narrative, which suggests that Africans are not able to take care of the natural beauties they have been given and that someone should do it instead of them (Clarke, 2009, pp. 255-256).⁶

The narrative of environmental protection is a part of the larger story of "climate colonialism". The phenomenon of climate colonialism is manifested in a way that population of the "South" is suffering the consequences of climate change for which "North" is responsible. At the same time, the initiatives that are being undertaken to rectify these consequences are being carried out at the expense of the inhabitants of the "South". In the dominant discourse, you cannot find information that almost all protectors of nature in Africa are white people,

⁶ Centuries ago, a similar discourse was used to justify colonization: Africans have been declared unfit to govern themselves, hence they should be civilized by others.

nor about the eviction of the local population in order to preserve the “authentic” African landscapes, which are in fact only the Western imagination of Africa portrayed by Discovery Channel and National Geographic (*Ibid.*, pp. 264, 267). However, it is not the biggest problem that these media companies provide the “passive atmosphere of the wilderness”. The problem is that they are the biggest promoters of exoticism, essentialism, latent racism, and other clichés about how Africans (that is black people) are not capable of preserving African natural beauty. In this way, these “educational channels” give their contribution to preserving existing knowledge hierarchies.

Although some progress is evident in these sectors the tempo of improvement is quite slow. We can say that neither China nor the USA cares enough about the environment and labor conditions in the region of East Africa. Countries of the region need to strengthen domestic legislation and to implement it consistently. We also believe that the path to better working conditions leads through labor unions (particularly in those countries with a socialist legacy). Unions will prove more effective than NGOs because strikes that they organize can make a real pressure on the government and foreign investors without compromising the sovereignty of the state. On the other hand, “name and shame” campaigns that are usually implemented by the NGOs are ineffective, especially with Chinese who do not care about Western PR.

OPPORTUNITIES FOR THE EAST AFRICA REGION

First opportunity – Infrastructure construction

Infrastructure needs in the region are enormous. Hundreds of millions of Africans lack even the most fundamental facilities. While the USA tries to provide “software” such as capacity building, China puts more focus on “hardware” such as roads, railways and other tangible infrastructure that brings direct and visible benefits to the host country. (Shikwati, 2012, pp. 7, 18). In addition to the mentioned infrastructure, China builds political infrastructure in the countries of East Africa. Thus, a new building of Parliament and the Ministry of Foreign Affairs was built in Djibouti. New buildings of Parliament were also built in Uganda and Mozambique. The construction of African Union buildings in Addis Ababa has also been supported by the Chinese (ПетровН., Гевелинг Л. В., 2010). China’s construction of the African Union headquarters worth \$200 million indicates its contribution towards creating a big symbol for the continent’s integration (Shikwati 2012, p. 44). There is a problem with the construction of this kind of infrastructure. These prestige buildings, “white elephants” as they are called represent unproductive infrastructure. But the Chinese are doing much more than that. Their scheme of building infrastructure is the following: 1)

Building airports, 2) roads, 3) power (energy) capacities, 4) railways, 5) ports. The expected benefits are regional and domestic connectivity, efficiency in goods transport delivery, stabilized costs of energy and support to the industrialization (Onjala, 2017).

The Western media claim that the exploitation of natural resources (Chinese neocolonialism) is the real reason for the construction of infrastructure. However, there is one significant difference between Chinese and colonial infrastructure. Colonial infrastructure was oriented outward (from the heartland towards the ports, from which the resources were exported to Europe). On the other hand, the Chinese build infrastructure from the ports into the continent, by doing so they are facilitating integration within countries and in the region as well.

It looks like the Western media are more concerned about the potential future Chinese neocolonialism than they condemn the colonialism that has already happened in the past. The Chinese are guilty “in advance” of what the Western countries have already done with impunity.

Second opportunity – Rescuing people from poverty

The World Bank Group former president Dr. Jim Yong-Kim⁷ said: “China has lifted 600 million people out of poverty in the last 30 years. Demand is growing among other developing countries to learn from this remarkable progress. The knowledge hub will play an important role in making China’s lessons available to the world and further our common mission to end extreme poverty” (South China Morning Post, 29 March 2013). In 1978, nine out of ten individuals in China’s population of 1 billion were struggling to survive on an income under \$2 a day just below the “extreme poverty line”. In 2014, 99% of the Chinese population was above that line (China Daily, 11 August 2018).

But how is that possible? There are at least four factors: First, economic growth has really trickled down. Accelerating industrialization and urbanization has transformed a large number of agricultural surplus labor in the countryside into urban employment in China. Between 2002 and the end of 2012, earnings from wages and salaries as a percentage of total household income rose from 26% to 43% for rural households in the bottom 20 percentile, at a rate that was roughly comparable to the national average. Evidently, low-income rural households have benefitted proportionally from the changes in the country’s employment pattern engendered by the dual process of industrialization and urbanization.

⁷ He stepped down 1st February 2019.

Second, the distribution of cultivated land in rural China has been quite equal within society. Bottom quintile households own about 90% of land areas as the top quintile owns. The relatively equal distribution of land enables the bottom poor to proportionally benefit not only from development and reform in agriculture but also from the transfer payments the state provided to support agricultural development.

Third, universal social development programs made contributions to the income growth of the bottom households. China has implemented a couple of social development programs in rural areas since 2000, including universal compulsory education up to grade 9, rural medical cooperative system, social pension system for rural residents, and a minimum living allowance scheme. Official data indicate that increased transfer income for the bottom quintile households between 2002 and 2012 contributed 21% of their increased disposable income during the period.

Last, but not least, targeted poverty reduction programs are organized nationally since 1986. They played an important role; the Chinese government launched a package of targeted poverty reduction programs covering broad areas, from physical infrastructure, social development, to industrial development and income generation to assist poor households (World Bank blog, 19 October 2016).

Which of these measures can be applied in the region of East Africa in order to reduce poverty in the region? The biggest problem in the region is joblessness. Hence, at first, we believe it will be beneficial if East Africa becomes “China’s China.” Due to increasing wages in China, Chinese companies are outsourcing their production into Africa. This is usually the case in labor-intensive industries such as the textile industry and also agriculture. In East Africa, there are vast plantations of tobacco, sisal, cotton that are extremely labor-intensive. One could argue that these are low quality, low paid jobs and that this policy may contribute to the deindustrialization of the region. Although we recognize these claims, we believe this policy should be embraced and endorsed. In conditions of constant population growth and widespread poverty, the region needs an abundance of job opportunities, even if those jobs were poorly paid. It is up to local authorities to negotiate with Chinese (and other international) partners and provide better jobs and technology transfer at later stages of development.

Third opportunity – Gaining benefits from USA- China competition

Kwame Nkrumah once said: “We face neither East nor West; we face forward.”⁸ This should be the guiding principle of East African countries. They

⁸ Conference speech delivered in Accra, 1960.

should not blindly follow the US or Chinese economic model but take a course of action that is in their own best interest. They should use the rivalry between China and the USA and leverage their position to get the most out of both sides. Healthy competition between China and the United States can improve working conditions and provide higher wages for African workers.

A good example of this policy was Tito's Yugoslavia, which successfully balanced between the East and the West. While the United States and the Soviet Union competed for the loyalty (better to say neutrality) of Yugoslavia, the communist government in Belgrade did a great job securing benefits for its citizens while maintaining the sovereignty of the country. Eventually, Yugoslavia was an unsuccessful endeavor which failed when one of the two major blocks collapsed and it is not a good role model, but one part of its policy – “sitting on the fence” between the two great powers was certainly a work of art. On the other hand, we have a negative example of modern-day Serbia. Its authorities are doing their best to match the interests of foreign actors (whether it is the EU, Germany, the United States, Russia, China, and even Turkey). In order to gain benefits from US-China competition, the countries of East Africa need to integrate and put their interest first.

Fourth opportunity – Regional Integration of East Africa

African integration is an ongoing and lively process. There are eight Regional Economic Communities (REC) on the continent along with numerous regional free trade areas, such as the African Free Trade Zone (AFTZ) and at least half a dozen regional organizations not recognized by the African Union (AU) which is the umbrella regional organization. It is obvious that integration processes in Africa suffer from the Spaghetti bowl effect⁹. To overcome this problem the AU launched a new comprehensive integration process called the African Continental Free Trade Area (AfCFTA) in March 2018. For now, this deal has a good chance of success since it has been signed by all countries on the continent, except Nigeria.

We will analyze the performance of two RECs whose members are countries in the region of East Africa: EAC¹⁰ and IGAD¹¹.

⁹ The spaghetti bowl effect is the term first used by an economist Jagdish Bhagwati in 1995 in the paper: “US Trade policy: The infatuation with free trade agreements. It represents the multiplication of free trade agreements which paradoxically hinder free trade.

¹⁰ Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

¹¹ Djibouti, Eritrea, Somalia Ethiopia, Kenya, Uganda, Sudan and South Sudan.

Table 1. Comparison of selected RECs in Africa

	Trade integration	Regional infrastructure	Productive integration	Free movement of people	Financial and macro-economic integration
EAC	0,780	0,496	0,553	0,715	0,156
IGAD	0,505	0,630	0,434	0,454	0,221
Average of 8 RECs	0,540	0,461	0,384	0,517	0,381

Source: Africa regional integration report index 2016, UNECA, p. 16.

We can see that the EAC and IGAD are performing above average; the only weak point of both RECs is financial and macroeconomic integration.

One of the biggest achievements of the EAC is a customs union which reduced tariffs significantly and created a favorable business environment. In July 2010, Kenya, Tanzania, Uganda, Rwanda and Burundi officially launched the Common Market for East African Community, a single market with a population of over 100 million. (Shikwati 2012, 13). Another very useful project to facilitate good business environment and integration within the EAC is East African passport. The passport is issued in three of the five EAC member states (Kenya, Uganda and Tanzania) and it costs \$10 in currencies of EAC members' countries (Booth et al. 2007).

The biggest challenges yet to be resolved are common tourist visa and monetary union. There were several attempts to introduce a common currency called the East African Shilling. The first two deadlines in 2012 and 2015 have not been met. The third target date is 2024 (Asongu et al. 2015).

The IGAD's mission is to promote regional cooperation and integration, to add value to member States' efforts in achieving peace, security and prosperity. The aim of IGAD is to harmonize policies with regard to trade, customs, transport, communications, agriculture, and natural resources and environment, and promote free movement of goods, services, and people within the region; creating an enabling environment for foreign, cross-border and domestic trade and investment; providing "e- capacity" building and training at regional and national levels.

The IGAD has four main areas of operation: (1) Agriculture, Natural Resources and Environment; (2) Economic Cooperation, Integration and Social Development; (3) Peace and Security; and Humanitarian Affairs; (4) Corporate

Development Services – single market open to competitive entry and well-integrated into the continental and global economies.

Main challenges for the organization are: eliminating barriers which prevent the IGAD from being a Free Trade Area; develop strategies to liberalize intra-regional trade; enhance domestic, cross-border and foreign investment in the IGAD; and promote economic development and diversification in industrialization among member states (IGAD state of the region report 2016).

Regional integration in Africa is crucial to promote Africa's political stability. It will provide African solutions to Africa's problems, security most of all. Also, regional integration will enable East African countries to stand together, thus preventing any future attempts of (neo)colonialism whether it comes from the East or the West (Shikwati, 2012, p. 11).

China-Africa Cooperation is in line with African integration. Actually, China is a catalyst for integration in East Africa. Although large, the countries of East Africa are still insufficiently developed to receive all Chinese investments. Hence, China fully endorses the integration of the region's markets because of its interest.

CONCLUSION

To summarize, the biggest benefit (strength) of Chinese presence is infrastructure investments, which will have even greater potential in the future. The biggest weaknesses of Chinese operations are poor labor conditions and ecological standards. The biggest weakness of US strategy is an abstract policy that has no tangible benefits for the ordinary African people. We believe that positive aspects of US engagement are atomized and almost nonexistent.

While Trump Administration focuses more on the commercial threat from China than East Africa itself, Beijing is investing in long-term relationships in East Africa providing tangible things like trade and infrastructure. If the United States wants to have a bigger influence in the region, it needs to offer a compelling alternative to counter China. Thus far there is no visible, tangible strategy that can offer something concrete that would satisfy the needs of the ordinary people. In fact, the only thing that the US offers is a recycled modernist narrative. What Americans do not understand is the fact that “bread and butter” are more important to Africans than democracy. For that reason, China is winning the battle for African hearts and minds.

To avoid threats and seize the opportunities, it would be beneficial for the countries of the region to be neither pro-Chinese nor pro-American, but pro-African. Moreover, we believe that countries of the region should continue to integrate to have a better negotiating position. In this way, the usual *divide et impera* scenario that great powers do to small countries could be avoided.

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REGION ISTOČNE AFRIKE USRED TENZIJA IZMEĐU KINE I SAD: OPASNOSTI I PRILIKE

Apstrakt: U sve manje predvidivom multipolarnom svetu Kina i SAD predstavljaju dve supersile sa ogromnim interesovanjem za region Istočne Afrike. Ovaj region predstavlja ključno čvorište kineskog projekta “Pojas i put”. Kinesko ekonomsko i političko prisustvo najviše je izraženo u Keniji, Zambiji i Zimbabveu. Kenija je najočiglednija tačka tenzije jer predstavlja najsnažnije kinesko uporište u regionu dok istovremeno čuva svoje tradicionalno partnerstvo sa Zapadnim blokom stečeno još od Hladnog rata. Uticaj SAD je najjači u susednoj Somaliji, pre svega kroz vojno prisustvo i NVO sektor. Države istočnoafričkog regiona nastoje da dobiju najbolje od oba aktera balansirajući između kineskog ekspanzionizma i još uvek privlačne američke ekonomske moći. Rad istražuje kako velika prestrajavanja na polju međunarodne ekonomije utiču na lokalne identitete. U radu se pitamo koji su odgovori država regiona Istočne Afrike na novonastale okolnosti i mogućnost (re)kolonizacije ekonomije i uma u nepredvidivom vremenu.

Ključne reči: Opasnosti; Prilike; Kina; Podsaharska Afrika; SAD.

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