

# China's Maritime Silk Road and the Future of African Arbitration

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## 1 East African Infrastructure Development along the Maritime Silk Road

China is coming to terms with its slowing economy. For more than three decades, its rapid economic growth relied heavily on industrial investments, energy intensive manufacturing, and exports.<sup>1</sup> Yet investment growth has decelerated, and exports have become less important for the country's growth, largely as a result of rising labor costs and excess capacity in its manufacturing and construction industries. Commonly referred to as its "new normal," China's future economic growth will be steadier but slower.<sup>2</sup> In response, Beijing has made significant institutional changes to adapt China's economic model, shifting focus away from investment-driven growth and emphasizing service-oriented industries and domestic consumption.

This economic rebalancing is reflected in China's "One Belt, One Road" (OBOR) Initiative. In 2013, China's President Xi Jinping unveiled OBOR, referring to an ambitious plan to establish trade networks linking China to Asian, European and African markets. The OBOR program consists of two main components: the "Silk Road Economic Belt", which is a network of land-based infrastructure projects spanning from central China through Central Asia to Europe, and the "Maritime Silk Road" (MSR), which is composed of a series of

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1 Nicholas Stern and Fergus Green, "China's 'new normal': structural change, better growth, and peak emissions" (*LSE*, 2015) <[http://www.lse.ac.uk/GranthamInstitute/wpcontent/uploads/2015/06/Chinas\\_new\\_normal\\_green\\_stern\\_June\\_2015](http://www.lse.ac.uk/GranthamInstitute/wpcontent/uploads/2015/06/Chinas_new_normal_green_stern_June_2015)> accessed 22 May 2017.

2 Ibid. See also Julien Chaisse and Mitsuo Matsushita, "China's 'Belt and Road' Initiative: Mapping the World Trade Normative and Strategic Implications" (2018) 52(1) *Journal of World Trade* 163–186.

port and coastal infrastructure projects extending from South and Southeast Asia to East Africa and the Mediterranean.<sup>3</sup> The basic premise is that the OBOR initiative will boost China's domestic economy by exporting its industrial overcapacity through regional infrastructure projects. In turn, hard infrastructure such as roads, railways, telecom systems, and energy pipelines, constructed by Chinese companies, will open markets and energy transit routes for its new consumer driven growth model.

The Chinese government has earmarked considerable funds for the project. Pooling resources from the State-Administration of Foreign Exchange, the China Investment Corporation, the Export-Import Bank of China, and the China Development Bank, the government has established a \$40 billion Silk Road Fund.<sup>4</sup> Beijing has also seized the opportunity to lead multilateral institutions such as the \$100 billion Asian Infrastructure Investment Bank (AIIB), which includes 57 member countries, and has pressed international and regional development banks to fund infrastructure development along OBOR routes.

East Africa<sup>5</sup> is positioned to gain from this initiative. For one, a key component of the OBOR blueprint, the MSR, involves developing maritime pivot points along the East African coastline. As a result, Chinese policy and commercial banks have looked to financing a number of projects that fall within the OBOR framework. Despite its name, even the AIIB which launched in 2016, has signalled its intention to fund African infrastructure projects in the near future.<sup>6</sup>

Bear in mind, China is not a new player in the African infrastructure scene. Prior to the announcement of the OBOR initiative, China had already been extensively involved in building and financing African infrastructure.<sup>7</sup> By the end of 2009, China had provided assistance to over 500 infrastructure projects in Africa. Between 2010 and 2012, the Chinese government had approved a total of \$11.3 billion in concessional loan financing.<sup>8</sup> We can expect to see intensified Chinese infrastructure finance and development in the region.

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3 Christine R. Guluzian, "Making Inroads: China's New Silk Road Initiative" (2017) 37(1) *Cato J* 135.

4 *Ibid.*

5 Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, Tanzania and Uganda.

6 Janne Suokas, "China-backed AIIB to fund projects in Africa in 'near future'" (*Gbtimes*, 22, November 2016) <<http://gbtimes.com/business/china-backed-aiib-fund-projects-africa-near-future>> accessed May 27, 2017.

7 Clayton Hazvinei Vhumbunu, "Enabling African Regional Infrastructure Renaissance through the China-Africa Partnership: A Trans-Continental Appraisal" (2016) 7(3) *International Journal of China Studies* 271, 277.

8 *Ibid.*