

China's Port Expansion in Africa: the cases of the Beira Fishing Port and LAPSSET Port Project

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I China's Maritime Silk Road and the Role of Ports

The significance of ports to the maritime component of the BRI, a development strategy concocted by China's paramount leader, Xi Jinping, is self-evident. As the world's largest trading nation and host to fourteen of the world's top ports feature as part of a larger integrated approach to China's infrastructure rollout.ⁱ That rollout includes the physical construction of harbors, docking facilities and terminal concessions as well as the development and installation of port logistics, including supply chain management and onward distribution networks.

In terms of port development, China's policy banks have been underwriting everything from harbor construction led by firms like China Merchant Holdings (CMH) and China Harbor Engineering Company (CHEC) to logistical arrangements led by shipping giant COSCO.ⁱⁱ There is further evidence that at the micro-level, it is Chinese contractors who drive the process of port development through their active sourcing of Chinese finance to support their projects.ⁱⁱⁱ Indeed, Zhang argues that the sharp rise of Chinese firms in securing projects—over 60 percent of all infrastructure projects in Africa by 2018—was due to the unique mandate afforded by Beijing to these “explorer” firms.^{iv}

In Africa, there is growing interest in the potential to capture rising transcontinental trade opportunities between China and Africa. In particular, one study identified two South African ports, Durban and Ngqura/Port Elizabeth as regional transshipment hubs capable of serving liner networks from Asia and South Africa.^v One analysis of West African ports as sites for Chinese investment identified four possible candidates as regional hub ports: Abidjan, Lagos, Cotonou or Lome.^{vi} Crucial to this calculus is the under-developed and poorly served region and the balance between port location and liner network. Amongst the

most notable cases of Chinese investment and loans-based projects in continental Africa are Djibouti, Mombasa (East Africa), Abidjan, Lagos (West Africa), Walvis Bay, Ngqura/Port Elizabeth (Southern Africa) and Suez and Tangier (North Africa).

II China and the Beira Fishing Port: Loans in exchange for fish?

The fishing port of Beira is part of the BDC, which dates back to the 1890s, following an agreement between Britain and Portugal to develop a railway linking Salisbury (now Harare) in Southern Rhodesia to Beira in order to grant the landlocked British colony access to the sea.^{vii}

The fishing port of Beira was created in 1986 to separate the fishing sector from Beira commercial port and to modernize and develop the fishing sector in the country. With precarious infrastructure (no refrigeration or processing system), the port was destroyed by a cyclone in 2000. The fishing port was closed from 2000 to 2006^{viii}.

To support the port reconstruction, the Mozambican government requested a loan of \$20 million from the Arab Bank for Economic Development in Africa (BADEA) and the African Development Bank (ADF) in 2005. The contract was won by the Portuguese Teixeira Duarte Construction Company and reconstruction took place between 2006 and 2010. However, the BADEA and ADF loans were not enough to fully rehabilitate the city's fishing port.^{ix}

In order to fully rehabilitate the fishing port, the Mozambican government turned to the Chinese government, which agreed to an almost \$120 million loan from China Exim Bank in 2014 at an interest rate of one percent. The contract was awarded to the China Harbor Engineering Company, an experienced state-owned firm. It was expected that the loan would be paid through fishing port revenues. The reconstruction project doubled the size of the fishing port, transforming it into the biggest in the country and one of the most important in region, was completed in September 2018 and handed over to the Mozambican government in 2019.^x

It is interesting to see how local officials compare the work of the Portuguese firm Teixeira Duarte to that of the Chinese company CHEC. Overall, the quality of Chinese work is locally well regarded when compared to that of the Portuguese firm. However, Teixeira Duarte is praised for employing local workers, and the Chinese company is accused of only hiring Chinese workers even for elementary services. As it is said in Beira, it was as if CHEC had “transferred China to Beira.”^{xi}

Another component of Chinese involvement in the BDC has been the rehabilitation of the N6 road by the Chinese contractor Anhui Foreign Economic Construction Corporation (AFECC), supported by a \$416.5 million loan from China Exim Bank. This road as well as the Port of Beira form the backbone of BDC, facilitating the circulation of people and goods between Mozambique and Zimbabwe as well as to countries to the interior like Zambia, Malawi, Botswana and the Democratic Republic of the Congo. The road was heavily damaged during the civil war between Mozambican government and the rebel group Renamo between 1976 and 1992 and was never comprehensively rehabilitated, hampering commerce between Mozambique and its neighbours.

Chinese companies are also helping to dredge the commercial port of Beira, which requires dredging nearly every day. China National Aeronautics and Transportation Administration are involved in the dredging of the Port of Beira.

Locals worry that Chinese loans to rehabilitate the fishing port and the N6 come at heavy costs to Mozambique. In fact, there are fears that loans were granted in exchange for fishing licences for China. China currently has roughly thirty fishing vessels operating out of Beira fishing port.

The presence of many Chinese fishing vessels prompted *Carta de Moçambique*, one of the well-known Mozambican newspapers, to editorialize about a “Chinese assault to Mozambican seas,” arguing that China was potentially decimating local fisheries.^{xii} In April 2019, the same newspaper reported that Chinese vessels were fishing during closed seasons, and using prohibited fishing equipment and tactics, with the complicity of local political elites.^{xiii}

III The Lamu-Port-South-Sudan-Ethiopia-Transport (LAPSSET): Developmental Boon or Environmental and Cultural Disaster?

The origins of the LAPSSET Corridor reside in the Kenyan government's *Vision 2030* document, which laid out a proposed megaproject that would galvanize investment in the neglected northern region of the country. As initially conceived, the LAPSSET centered on the construction of a greenfield port facility in northern coastal town of Lamu, an industrial park and an adjoining coal plant, a resort town, an airport and vastly expanded housing and services. The laying of an oil and gas pipeline from Lamu port to Turkana, and from there to Ethiopia and the South Sudanese oil fields, underscored the economic possibilities anchoring the megaproject. Overall investment was estimated at \$25 billion, representing 3 percent of Kenya's annual GDP.^{xiv} With respect to the port itself, the construction of three modern port berths was estimated to cost \$484 million and a contract was awarded to the China Communication Construction Company (CCCC).^{xv} These developments were projected to represent a significant investment into a neglected region, generating both skilled and unskilled employment opportunities, and encouraging the growth of supplier/distribution networks and services all along the corridor.^{xvi}

At the same time, there were considerable questions raised within Kenya and in other regional states about the effect the project would have on local communities and the environment. These included direct detriments to the town and surrounding area itself due to construction and industrial expansion. The Lamu archipelago, the Lamu river delta, and the Tana river delta to the south collectively host nearly 50 percent of the country's mangrove forests, which serve as important natural coastal barriers as well as breeding sites for marine life.^{xvii} The nearby Kiunga Marine National Park provides a source of income both for traditional fishing and through tourism.

A rising crescendo of local and international concern, focused in particular on the proposed coal plant, drew a response from the national government. According to reports by Human Rights Watch and the National Coalition for Human Rights Defenders, a pattern of police harassment of environmental activists followed the announcement of the megaproject, starting back in 2014 when the organization Save Lamu had its offices raided by the police.

This harassment reportedly is continuing with the breakup of public meetings and peaceful protests right up to the present day.^{xviii}

Despite the contentious debates, the construction of port facilities moved forward and by May 2021, President Uhuru Kenyatta formally launched the first berth of the new port. However, with the pipeline and coal plant still subject to controversy, the economic rationale for the port at Lamu remains in limbo.

IV Impact and Analysis

An analysis of the impact of the Beira Fishing Port and LAPSETT's port project on the local environment, on national debts, on local socioeconomic development, and on government transparency points to several significant trends.

Assessment of the Beira Fishing Port

The development of the Beira Fishing Port has abetted illegal and uncontrolled fishing activities, and development also has come with illegal logging by several Chinese firms. This situation risks exacerbating environmental damage in an area that is already vulnerable to natural disasters: Beira and the surrounding area were hit by two devastating cyclones between 2019 and 2021.^{xix}

Unlike with the LAPSETT project, no environmental study was publicly produced regarding the Beira Fishing Port project, and there have been no protests from local communities or civil society organizations, despite the Port project's environmental impacts. In Kenya, protesters fearful of losing of traditional fishing and land for agriculture and grazing have demonstrated against the LAPSETT project. The absence of protests related to Beira and demands for accountability by the developers and the Mozambique government is explained by the weakness of local civil society in Beira and the non-existence of protest tradition in Beira dating back from the colonial period.

The Mozambique government also has powerful incentives to keep protests from erupting. China is the main bilateral creditor of Mozambique, which owes about \$2 billion in total to Beijing. The debt to China represented 20.2 percent of Mozambique's total external debt in 2019. There are further concerns about the transparency in the way loans are contracted. For example, at the end of 2020, some Mozambican civil society groups and opposition political parties pressed the government to explain the details of Mozambican debt to China. The *Centro de Integridade Pública* (CIP), one of the most prominent local civil society groups, described the Mozambican debt to China as “frightening” as well as opaque. CIP argued that Mozambique might be unable to repay the debt and thus there was a risk that Beijing would seize Mozambican infrastructure as collateral.^{xx} The same claims were echoed by opposition political parties.

In response to this criticism, the Mozambican government explained that the great majority of the Mozambican debt to China is owed to the China Exim Bank and was mostly used to pay for roads and bridges. The government argued it expected that these infrastructure projects will cover the costs of the loans thanks to their revenues generated through toll roads.^{xxi} According to the Chinese ambassador in Mozambique, the CIP study exaggerated the debt itself, and echoed Western propaganda about the threat of China.^{xxii}

However, it is worth noting that there are reasons for concerns about the debt load. In Beira, the debt load is noticeable. The fishing port will have difficulty repaying the loan that funded it, which is scheduled to be paid from 2022 onwards over the next twenty years. The port only started to operate in 2019, two years before the due date of the initial debt payment. In addition, the port itself is operating only at 30 percent of its full capacity. Meanwhile, the local processing plant built with Chinese funds is not in use, meaning that fish products are still exported unprocessed, costing Mozambique potential revenue. The nearby ice plant which was expected to produce sixty tons per day is only producing five tons per day.^{xxiii}

The fishing port was further impacted by the global pandemic and by cyclone Eloise in January 2021, which sank three boats and damaged part of the port's infrastructure. The fishing port was unable to re-float the sunk boats for several months. Since it is becoming

clear that the Beira Fishing Port will be unable to start paying off its debt in 2022, its managers hope to speak with Chinese creditors about restructuring Beira's debts.

Assessment of the LAPSETT Port Project

The Lamu delta and surrounding archipelago of islands is recognised as a unique marine and terrestrial environment as well as an area of historical significance.^{xxiv} The coastal mangroves, the coral reefs and fisheries are, however, in danger if the LAPSETT megaproject goes forward in its present form. According to the World Wildlife Fund's Geographical Information System's analysis of the potential impacts of the megaproject:

"Over 150,000 hectares of intact habitats (mainly mangroves, forests, coral reefs and seagrass beds) could be lost within these primary and secondary impact areas. The possible further loss of over 9,400 hectares of mangroves would represent 38 percent of Lamu's total stock. Water resources, fishing areas and wildlife would also be significantly affected."^{xxv}

For fishing communities on the mainland and Lamu island archipelago, the prospect of the major shipping and development project is viewed with trepidation for the negative impact it is likely to have on their livelihoods. Already, in fact, the construction of the three port berths and the accompanying dredging have damaged severely the fishing grounds. One local fisherman told reporters:

"Before we would put out one net and catch maybe 500kg of fish, but now we can put 10 nets and get only 50kg so we've lost a lot. The construction makes a lot of noise, they cut the mangroves - the fish breeding area - and destroy the coral reef where the fish go to put their eggs, so the fish have gone to another place."^{xxvi}

The fourteenth century Lamu Old Town is recognised as a UNESCO World Heritage site. It is also a contemporary site for study of the Swahili language and for Islamic scholarship. As such, it likely will be affected by the development. Preservation of the historical core

could, however, continue to provide the basis for tourism and further bolster the local economy.

In the case of LAPSET, the local communities in and around Lamu have been residing there for centuries, and there is a rich cultural and historical heritage linked to the area that could be affected by development.^{xxvii} If the project leads to rapid urbanization in the area, it could negatively influence the contemporary low-impact tourism model in operation. The potential loss of livelihoods from tourism and also traditional means of earning income would disrupt local communities.

Regarding issues of debt and transparency, the LAPSET project was, arguably, one of the most transparent mega-projects associated with China's aid and investment in Africa. It was subject to public scrutiny at national and county levels and underwent public oversight and review. To be sure, police harassment of local civil society actors and protesters contributed to the heightened awareness of the LAPSET project.^{xxviii} Yet, with the high overall projected costs of LAPSET, in the long run it could add significantly to the national debt burden.

IV Conclusion

Even if they differ in their scale and ambition, with LAPSET being one of the biggest projects financed by China in Africa, the two projects give an illustration of how China's BRI is implemented as well as its challenges and local perceptions of BRI. Our study suggests that it is critical to rigorously analyze the potential environmental, social and governance impacts of any project before embarking upon it, including feasibility and impact studies when establishing the terms of the project. Scrutiny needs to be maintained at the project implementation phase, where the Chinese firms exercise critical influence over the adherence of the terms of any agreement. Finally, it is important to include the input of the local community, such that the aims and intended – and unintended – impacts of the project are understood by local actors.

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- ⁱ "The Top 50 Container Ports," World Shipping Council, last accessed July 28, 2021, <https://www.worldshipping.org/top-50-ports>
- ⁱⁱ Jihong Chen, Yijie Fei, Paul Tae-Woo Lee and Xhong Tao, "Overseas Port Investment Policy for China's Central and Local Governments in the Belt and Road Initiative," *Journal of Contemporary China* 28 (2019): 116.
- ⁱⁱⁱ See Hong Zhang, "Chinese International Contractors in Africa: Structure and Agency," 47, (May 2021), <https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/6099cc5d267fb10016b82045/1620692064252/WP+47+-+ZHANG%2C+Hong+-+Chinese+Intl+Contractors%27+Market+Power+Africa.pdf>
- ^{iv} Hong Zhang, "Chinese International Contractors in Africa: Structure and Agency," 47, (May 2021), <https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/6099cc5d267fb10016b82045/1620692064252/WP+47+-+ZHANG%2C+Hong+-+Chinese+Intl+Contractors%27+Market+Power+Africa.pdf>
- ^v Hwa-Joong Kim, Jasmine Siu Lee Lam and Paul Tae-Woo Lee, "Analysis of Liner Shipping Networks and Transshipment Flows of Potential Hub Ports in Sub-Saharan Africa," *Transport Policy* 69 (2018): 193-206.
- ^{vi} Kang Chen, Shihe Xu and Hercules Haralambides, "Determining Hub Port Locations and Feeder Transport Network Designs: The Case of China-West Africa Trade," *Transport Policy* 86 (2020): 9-22.
- ^{vii} Apart from the railway Harare-Beira, the Port of Beira, is considered as one of main important ports in Africa and the National Road Number Six (EN6) with 287 km, linking the district of Machipanda in Manica province at the border with Zimbabwe are other major components of the BDC.
- ^{viii} Interview with A. M, Beira Fishing Port Official, Beira, 6 June 2021.
- ^{ix} It is said that the real cost would be around 60 and 90 million dollars and that the consultant had made a mistake.
- ^x The shoreline is now 377 meters long, against the previous 188 meters, which allows the mooring of 16 industrial vessels simultaneously, against the previous eight.
- ^{xi} Interview with A. M, Beira Fishing port official, Beira, 6 June 2021.
- ^{xii} Chinese logging firms, working in conjunction with local political elites and small timber operators, have been illegally logging and shipping timber from Manica and Sofala Provinces since the early 2000s. See Catherine Mackenzie, "Forest Governance in Zambézia, Mozambique, Chinese takeaway!" Final Report for FONGZA (2005) <http://coastalforests.tfcg.org/pubs/GovernanceZambezia-MZQ.pdf>
- ^{xiii} Omardine, Omar, "Armadores chineses pescam no período de veda, denunciam moçambicanos," Carta de Mozambique, April 15, 2019.
- ^{xiv} , "Consultancy Services for the Strategic Environmental Assessment LAPSET Infrastructure Corridor," The Presidency, Government of Kenya, Final Report, Volume 1, Main Report, Repcon Associates, (January 2017):.iii.
- ^{xv} Drazen Jorgic, "Kenya says Chinese firm wins first tender for Lamu port project," *Reuters*, April 11, 2013. <https://www.reuters.com/article/kenya-port-lamu-idUSL5N0CX38D20130411>
- ^{xvi} Republic of Kenya/NEMA, "Environmental Sensitivity Atlas of Lamu County," prepared with support of NORAD and WWF-Kenya, 2017. http://environmental.ku.ac.ke/images/stories/docs/Lamu_Sensitivity_Atlas.pdf
- ^{xvii} Republic of Kenya/NEMA, "Environmental Sensitivity Atlas of Lamu County," prepared with support of NORAD and WWF-Kenya, 2017. http://environmental.ku.ac.ke/images/stories/docs/Lamu_Sensitivity_Atlas.pdf
- ^{xviii} "They Just Want to Silence Us: abuses against environmental activists at Kenya's coastal region," Human Rights Watch, December 2018, pp. 1-68, https://www.hrw.org/sites/default/files/report_pdf/kenya1218_web2.pdf.
- ^{xix} The first cyclone to hit Beira was Idai in March 2019 and Eloise in January 2021, the second.
- ^{xx} "Debt Contracted With China Affects the Availability of Budget Resources Needed to Fight COVID19," Center of Public Integrity, October 2020.
- ^{xxi} "Mozambique: No 'Indications' that China May Seize Assets Due to Debt – Government," Club of Mozambique, November 19, 2020. <https://clubofmozambique.com/news/mozambique-no-indications-that-china-may-seize-assets-due-to-debt-government-177782/>
- ^{xxii} "Mozambique Not in China 'Debt Trap', Says Chinese Ambassador," CLBrief, November 11, 2020. <https://www.clbrief.com/mozambique-not-in-china-debt-trap-says-chinese-ambassador/>
- ^{xxiii} Interview with Beira Fishing Port Manager, Beira, 10 June 2021.
- ^{xxiv} "Lamu Port and South Sudan Ethiopia Corridor," Summary and update of Pilot Strategic Environment Assessment, 2010-11, World Wildlife Fund, 2021. <https://wwf-sight.org/lamu-kenya-spatial-planning/>
- ^{xxv} "Lamu Port and South Sudan Ethiopia Corridor," Summary and update of Pilot Strategic Environment Assessment, 2010-11, World Wildlife Fund, 2021. <https://wwf-sight.org/lamu-kenya-spatial-planning/>

^{xxvi} Alistair Leithead, 'Row Over Chinese Coal Plant Near Kenya World Heritage Site of Lamu', BBC World Service, June 5, 2019, <https://www.bbc.co.uk/news/uk-48503020>

^{xxvii} "Lamu Port and South Sudan Ethiopia Corridor," Summary and update of Pilot Strategic Environment Assessment, 2010-11, World Wildlife Fund, 2021. <https://wwf-sight.org/lamu-kenya-spatial-planning/>

^{xxviii} Alistair Leithead, 'Row Over Chinese Coal Plant Near Kenya World Heritage Site of Lamu', BBC World Service, June 5, 2019, <https://www.bbc.co.uk/news/uk-48503020>