Basic Cost-Benefit Elements of China's Aid to Africa & How an Efficient Middle Class that Supports Libertarian Values & Free Market Ideals Can Save Sub-Saharan Africa from the Chinese Aid Trap

Abstract

Chinese aid to Africa has come under public scrutiny in recent times. This paper is an exploratory research into the core cost-benefit elements that shape the discourse between China and Sub-Saharan Africa. The study identifies that Chinese aid to Sub-Saharan Africa is lifesaving in many ways since it addresses urgent needs on the continent. However, the cost includes the deepening of conditions that lead to more poverty and backwardness. The article evaluates the possible role of an extended middle class on the African continent that can contribute to the creation and expansion of efficient market structures that can accelerate the development of the continent. It also examines the possible enhancement of Africa's economies through the implementation of classical free market values that can limit authoritarianism and wasteful governance systems on the continent.

Introduction

Sub-Saharan African countries are highly dependent on Chinese aid (Wang, 2023). Whether Africa's over-reliance on aid was caused by years of foreign exploitation or by the incompetence of African governments on the continent, it is apparent that foreign aid is deepening a cycle of poverty and underdevelopment on the African continent. Some estimates indicate that in the two decades between 2000 and 2020, African states south of the Saharan raked up aid of approximately $160 billion from China (US Foregn Affairs Committee, 2022). This translates a cumulative injection of over $7 billion each year into the region's economy. While there is no doubt that this aid helped African states meet dire humanitarian goals, there is no doubt that a lot of it was wasted and/or used to fund inefficient African governments built on faulty economic foundations.

This article examines the cost-benefit implications of China's aid to Sub-Saharan Africa by examining the implications on the free market potentials of the continent. The study will culminate in the evaluation of how libertarian values can help Africa overcome the pitfalls of China's continuous benevolence, which has a malevolent impact on the continent's economy and growth.

In Hayek's *Road to Serfdo*m, he rightfully warns that delegating the minutest decision-making functions to a central authority will inevitably limit individual *freedom.* First, there will be the need for the central authority to use soft methods to manipulate the people (Hayek, 2014). This ultimately ends with the need to use various strictures to ensure the centrally planned economy functions.

China saved the fate of the Soviet Union because of timely interventions that led to the introduction of some free-market reforms in the late 1970s (Swaine, Daly, & Greenwood, 2000). They also placed strict caps on population growth (1979-2015) to aid development and modernization (Wen, 2016). This was a gradual process that started in the 1940s and supported the centralization of power and collectivization of national affairs. The Chinese government, at times, used various rigid rules to keep its population in check and support its national agenda. These are standards that African states cannot meet now because of weak and fragile structures. As such, going the Chinese way creates massive problems that will need to be confronted at some point in the continent's evolution.

While the methods used by China to develop rapidly came with serious reservations in the lenses of the Austrian School of Economics, China is leveraging its economic and political influence in Africa in ways that go beyond the mere misgivings of libertarian thinkers. China is spreading ideals that could harm some of the most fragile regions of the world and limit the ability of Africans to generate and regenerate markets and build functional systems for the accumulation of wealth to develop the continent.

Sub-Saharan African countries were ushered into the international political economy in ways that are highly problematic. The independence of African countries south of the Sahara created *de facto* states that had a federal dependence on their former European colonizers. One can hardly think of any reason why France or the United Kingdom continue to maintain their permanent seats on the UN Security Council beyond their considerable influence over their former colonies. What London does for its former colonies in Africa is no different from what Washington's federal apparatus does for states in the American South. The only point of divergence is that the poorest states in the US have a say on how federal resources are used – this is not the case with the many former European colonies of Sub-Saharan Africa.

Thus, African states are strongly dependent on their former colonizers, who gave the continent minimal capabilities to develop free market systems. As a matter of fact, most of the former European colonizers have been ruled under structures that most American libertarians will consider "socialist". Thus, they had little to hand over to Africa in terms of the development of free market systems in the past six decades. This is not to mention the fact that free markets were a direct threat to the quest for neocolonial domination by some of these former European powers. This created inherent gaps that the United States' global market expansion ideals attempted to fill but failed during the Cold War. Hence, Africa is currently left with a major deficiency of not being able to set up and maintain efficient free market systems. This created poverty and a serious humanitarian crisis that paved the way for China to enter and take charge of sensitive aspects of the Sub-Saharan African economic structures.

While China's aid was, in many cases, lifesaving on the African continent, the merits of Chinese aid to Sub-Saharan Africa seem highly limited (Sardoschau & Jarotschkin, 2024). The long-run implications of Chinese aid are highly problematic and call for immediate and swift action by Africa's competent and productive population.

The problems with Chinese aid on the continent include:

1. ***Enhancing Africa's Dependency on Aid***: China's national policy and ideology support a system of leveraging products at the lowest prices possible. Based on this fundamental idea, it is not logical for China to support Africans in developing capabilities to solve their problems. This means that Chinese aid will solve immediate problems, but it would leave Africans wanting more aid to survive. In some cases, some African countries have borrowed so much from China that they stand to exchange critical national infrastructures to defray the costs of these excessive Chinese loans.
2. ***Support for Authoritarian & Incompetent Regimes***: China has a history of using its UN Security Council veto power to support some of the world's most brutal dictatorships around the globe. In Africa, though, a bigger problem exists with tokenism, which goes back to colonial times when colonizers placed the least efficient leaders at the helm of power so they could control them. Even if China is given the benefit of the doubt, we know from the history of some of the armed conflicts on the continent that incompetent political leaders who seek to hold on to power will not hesitate to work with China to hold on to power in ways that destroy the continent.
3. ***Chinese Aid Purges Free Markets***: China does not staunchly support free markets. The way they put out their aid makes it difficult for African entrepreneurs to go into markets where they provide aid. This means China's actions discourage production and the markets, which are essential in creating functional economies in the developing world.
4. ***A Raw Material Producing Africa with No Industrialization Benefits China***: As long as Africa is kept backward and dependent on raw material export, Chinese aid will always remain relevant. However, Sub-Saharan Africa will not be able to break out of the aid trap. Furthermore, Africa's dependence on raw material export means emerging markets that pursue industrialization will demand African raw materials. However, the moment growth slows in these emerging countries, Africa's economic growth returns because of the lack of demand for raw, unprocessed resources.
5. ***Chinese Aid Encourages Population Boom and Waste***: China saw it expedient to temporarily halt its population boom between 1979 and 2015. Many parts of Africa are growing at rates higher than China in the 1970s. However, China has no authority or manifest intentions to halt the population explosion on the continent. Rather, their aid encourages it in many ways and forms.

6. ***Distribution of Chinese Aid Encourages a Culture of Corruption and Waste***: In the past, many African leaders were shamefully implicated in the embezzlement of Chinese aid and accepted bribes to allocate Chinese aid in ways that benefit China on the continent. While there is nothing wrong with China getting a fair output for what they inject into economies in Africa, using underhand tactics sustains corrupt African leaders and their culture of corruption, which goes back to the days of the Slave Trade.

These issues inherent in Chinese aid to Sub-Saharan Africa will require proactive action. During the Cold War, the solution might have involved simply arming African groups to wage guerilla war to prevent the expansion of Chinese political influence on the continent.

However, this time, it is different. The world is democratic, and the human race has come to appreciate the essence of free markets, which ensure the efficient distribution of resources. Hence, it is necessary for Africans to **understand** what is at stake here and also **want** to actively reverse it.

This will require three things:

1. Free markets
2. The evolution of context-appropriate institutions and standards and
3. Free enterprise

Africa, south of the Sahara, has seen various experiments with free markets. However, in many cases, political instability and the lack of political guarantees affect the sustainability of successful free market systems whenever they are established. Until recently, it was not uncommon for a local military officer in Nigeria or Ghana to order the closure of a shop and transfer assets from one owner to another without being questioned by any authority. Obviously, these trends continue in some troubled countries on the continent, like South Sudan, to this day.

China's international expansionist policy is widely non-judgmental. They do not actively tie aid to the responsible behavior of governments (Sun, 2014). China is known to have protected some of the most brutal dictatorships at the highest levels of international politics. Thus, pouring aid onto a politically fragile and precarious state system is a natural aftermath of Chinese aid. This is the root of all the problems linked to Chinese aid in Africa.

The harsh reality is that the fragile and weak political and state structures lay the foundations for inconsistency that affects continuity and efficiency in vital institutions. Due to this,

commerce is generally complicated, and Africans in the Diaspora would want to keep their savings and investments far from the continent.

Then, there is a weak position for free enterprise in Africa. With a longstanding collectivist system and an unrestricted population boom (which the Chinese are aware of), the microeconomic profile of Africa tilts towards survival and less towards profitability. There are more pressing needs for the populace at any point in time. There must be food to eat, basic public infrastructure for survival, primary healthcare, basic roads, and fundamental needs. This makes Africa a hotspot for aid. And this is what the Chinese are quietly providing in ways that are highly problematic.

Reversing the Trends

There is nobody in Sub-Saharan Africa who does not see the dysfunctional nature of the economy and systems. Everyone does!

These gaps become more pronounced and apparent after a person lives in a more developed country and comes to appreciate the potential and value of trade, as well as the efficient management of resources.

However, the harsh truth is that everyone acknowledges the deep pit of backwardness inherent in the African state's commonwealth. There are too many issues to be addressed. And any attempt to solve these problems is the "beginning of the beginning".

However, with huge numbers of Africans migrating to other parts of the world, there are many possibilities for encouraging and promoting free market systems as a mechanism for solving the continent's problems.

Encouraging Productive Migrants to Return and Trade

The options for Africans to transmit their business competencies from advanced Eurocentric countries to Africa are highly limited. This is based on a combination of fundamental issues commencing with immigration, which automatically places labels on Africans due to the lack of voluntary groups to channel business concepts from the developed world to Africa.

Many Africans who learn and/or develop capabilities are likely to become isolated and less efficient when they go back home. That is because of the lack of an opportunity to trade most products and services on a deprived continent. This leaves most African migrants in Eurocentric countries with no option but to simply save and retire in these countries as citizens.

Furthermore, international support from the West to Africa is often based on aid that is granted to the political elite. In that sense, China is just emulating Europe and America in their

tradition of handing aid over to African leaders who have a track record of squandering this money. In a sense, Africa has become a Gulag for the West because a huge pool of people exists there, and their raw materials are shipped in some form to the rest of the world.

On the other hand, if this Western aid and its problematic aftermaths were transformed into a mechanism of empowering individual migrants with the hope of running some viable business to help the continent, it could be encouraged and help improve the continent and its economy.

Africans who can build businesses that sell to the world must be encouraged to do so further. Hence, the system of simply viewing Africa as the continent to be "helped" and given "aid" is in itself crippling, and it kills any effort. A change in this mindset across the globe will help improve African self-esteem and encourage Africans to do more for themselves and their countries. Obviously, China is not the greatest partner in developing and promoting libertarian ideals – the United States and the free world are!

Human Development

Poverty begets more poverty.

With China's aid to Africa breeds poverty. It supports weak and authoritarian governments that build curricula and educational systems that encourage Africans to embrace and live with poverty.

Many African institutions train their students to embrace a communal living that is devoid of free market ideals. Due to this, trade is very infantile in most parts of the African continent. This goes back to the era of independence on the African continent (1960s), where the earliest governments were under pressure to develop rapidly into modern nations. Collectivist socialist models were used in many parts of the continent.

To this day, many schools run on socialist ideals and values. That in itself reduces a desire for free market goals and ends. This has kept the continent impoverished and significantly reduced wealth generation.

In many parts of Sub-Saharan Africa, the most affluent entrepreneurs did not go through formal education. Those who were schooled in formal systems are good at compliance, and they work and earn fair salaries according to local standards. With constant inflation linked to low productivity and export shortfalls, the African elite continues to become poorer and poorer. And this is the main driver of corruption.

Like China, there should be a mechanism for encouraging a productive free market system. This would include:

1. Encouraging innovation and invention
2. Promoting international trade beyond primary raw materials and
3. Optimizing digital technologies

All of these pointers are essential to help the African people to learn and grow.

After 30 years of post-Cold War interaction, it should be possible for the scope of human development to be expanded. And there should be a way of encouraging the development of the right mindset to encourage free market ideals and values.

Property Ownership & Free Market Enterprises

The wave of multiparty democracy that led to massive development in Africa after 1991 was an external injection into Africa. This was done through the application of soft power by many Western countries, especially the United States.

In the past, the need to respect African sovereignty caused the West to avoid interference in local affairs. This created the leeway for the expropriation of private assets and the resulting demise of the free markets.

History has shown that underdevelopment in Africa is strongly linked to the lack of political guarantees to underwrite major markets and trade systems on the continents. As identified above, most African countries lack direct supranational oversight, as a state in America or Brazil might get from the federal government. This means the claim of independence of these too-small-to-be-viable African states creates gaps that ultimately lead to rot, wars, and aid – which the Chinese are conveniently filling.

Property ownership and free market systems can be protected in many ways today. Thus, it is possible for Africans in the Western world to convene trade groups and systems to lobby for systems and structures to maintain free markets in their home countries. Just like liberal democracy, there can be ways of empowering and helping these trade systems to work to maintain functional markets on the continent.

Efficient (Small) Government

In America, Libertarians constantly argue for small government on the basis of Lockean ideals – government must do only what government can/should do. However, in Africa, in this era

of Chinese aid, the emphasis should be on efficient government. How are our governments encouraging productivity and production? These are questions that citizens' watch should provide.

The reality is that Chinese aid and its misuse or corruption in Africa often involves collective action by the elite. This means the media and public figures will look the other way when cogent issues come under discussion.

However, a Libertarian group that is driven by the benefits of a free market will ask critical questions and demand the proper steering of the economy and systems. What this means is that the African Libertarians, linked to a quest for objective truths, would challenge and demand more efficient mechanisms of distributing national resources.

At the very least, this will ensure better use of foreign aid, and the self-interest of public officials will be checked. Even if it is not attained, the Libertarian tradition of documenting issues and raising them after a major and significant event provides a greater guarantee of development in Africa in this era of Chinese aid dependency.

Conclusion

Chinese aid to Africa is lifesaving and essential. However, the trajectory this aid puts the continent on is dangerous and can potentially deepen Africa's poverty and backwardness. Libertarianism promises to challenge the status quo and catalyze change. This could be done by streamlining immigration so as to help Africans with capital to be able to contribute to free market ideals and trade to encourage better allocation of resources. Libertarianism can encourage human development in ways that can overcome poverty and the dependency cycle. Libertarianism can also encourage Western involvement in Africa to promote property ownership and free markets. Finally, Libertarians are best placed to challenge the governments of African countries to operate more efficiently.

Conflict of Interest Statement

The author has no conflict of interest to disclose.

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