

Rwanda's Place on the Digital Silk Road: Discussing Rwanda Vision 2020 from the Perspective of Chinese Development Assistance

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INTRODUCTION

The Republic of Rwanda has just completed its 20-year development plan, Rwanda Vision 2020. In this article, we will be looking at some of the contributions of the People's Republic of China (PRC), through Official Development Assistance (ODA) and alternative forms of assistance, in working towards some of the development plan targets. Chinese developmental assistance to Rwanda has been described as atypical and represents a gap in the existing knowledge of Chinese developmental aid to Africa (Lisimba & Parashar 2020, pp.13-14). The rationale is that Chinese assistance predominantly targets those larger resource-rich coastal African countries for easy exportation of raw materials. Meanwhile, Rwanda is a small landlocked and resource-poor country with a history of aid dependence (Ibid., p.2).

As we shall see in the Vision 2020 strategy, Rwanda's chosen developmental trajectory is heavily focused on boosting capacity in Information and Communications Technology (ICT; MINECOFIN 2012). As such, we will primarily focus on Chinese developmental assistance from the perspective of digitalization. This assistance fits perfectly within the PRC's Belt and Road Initiative (BRI) framework, of which the digital side is one of the under-studied aspects of Chinese developmental assistance. Therefore, by taking Rwanda as a case, we hope to learn more about the process of Chinese digital development assistance. While Lisimba and Parashar (2020, p.2) intentionally disregarded Chinese aid in the development of the service sector, this article hopes to show how exactly this overlooked perspective can bridge the aforementioned

knowledge gap and partially explain Chinese interests in Rwanda. A particularly noteworthy example of this is the projects undertaken by Chinese multinational technology company Alibaba, outlined in this article.

I. Rwandan Development, from Human Resources to Digital Infrastructure

When surmising Vision 2020, we find it forgoes traditional industrialization and sets the ambitious goal of transitioning directly from a low-income agriculture-based economy to a middle-income service-oriented economy and knowledge-based society by the year 2020. This goal is to be achieved by utilizing a framework consisting of six pillars: good governance, specifically focusing on the rule of law and accountability, plus transparency in how it uses scarce resources; human resource development, particularly on the development of ICT skills necessary in a knowledge-based society; a private sector-led economy that will stimulate private investment; infrastructure development to enable ICT development; market-oriented agriculture away from subsistence farming; and finally regional and international economic integration (MINECOFIN 2012).

Twenty years later, things seem to be going well for the small landlocked nation. Perhaps the most significant indicator of this is in the pillar of good governance. In the Corruption Perception Index published three years ago, Rwanda ranked 48th, better than such Organization for Economic Co-operation and Development (OECD) members as South Korea and Italy, with only the people of Botswana perceiving their government as less corrupt among all other African nations (Transparency International 2018). Furthermore, Rwanda has been attempting to reduce inequality, having successfully increased indicators such as life expectancy, literacy, primary school enrolment, and spending on healthcare (Hutt 2016). The most considerable improvement has been gender equality, evidenced by the highest percentage of female members of parliament in the world (Mwambari 2017; Bruce-Lockhart 2015).

Rwanda is already working on facilitating the creation of a private sector led economy, with the ultimate goal to drive the primary engine of the economy through the process of self-investment by the local population, creating a

recursive process of economic self-improvement. This economic improvement has also meant that instead of exporting raw materials, as Rwanda had done in the past, there is now a greater focus on value-adding. Concerning the move to market-oriented agriculture, two ongoing programs that aim to increase production are transforming the rural landscape (World Bank 2017). Through the wise investment of minimally available tax resources, Rwanda has transformed from a subsistence agriculture society, with minimal export to Europe, to one that is more broadly market-oriented, shipping its products as far as the Middle East and China (CCTV 2016).

Shifting to digital development, Vision 2020 and crossover development plans such as the National Strategy of Transformation 1 (NST1) have increased productivity as their main driving force in the push for greater digitalization. The development of e-commerce to increase the global reach of Rwandan small to medium-sized enterprises (SMEs) and the development of digital payment systems are expected to level the socio-economic playing field by increasing access to markets and services as well as boost government capacities. The Rwanda National Payment System Strategy (RNPS), the first step in the self-explanatory scheme '*Towards a Cashless Rwanda 2018-2024*', outlined government initiatives to promote the development of a cashless society by increasing the availability of digital infrastructure, including payment points, and increasing access to digital payment methods, as well as offering tax incentives. In the plan, the Ministry of Finance and Economic Planning and the National Bank of Rwanda was set to transition to an entirely cashless policy for all government transactions by 2018. Beyond infrastructure, the plan focuses on increasing digital literacy among the population and ensuring that competing systems remain interoperable (NBR 2018).

During the COVID-19 pandemic, these developments have gone into overdrive, seeing an increase of 485% in the weekly value of digital payments in the first four months of 2020 (See Figure 1). Starting in June 2020, more than twenty thousand of Kigali's taxi drivers have stopped accepting cash (DW 2020; Bester & Carboni 2020). Also, tackling the pandemic itself has been facilitated by the increased capacities that digital platforms have made available to the Rwandan government (RURA 2020; IMF 2020).

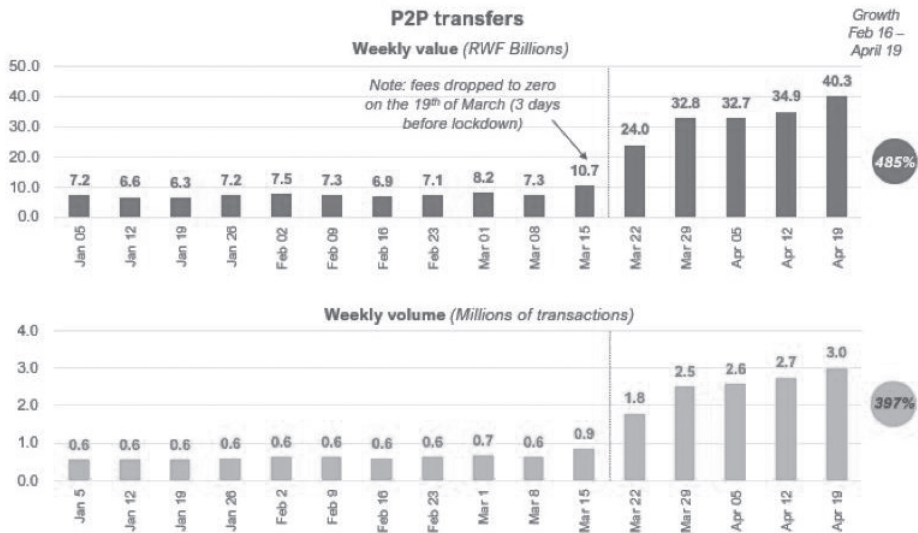


Figure 1, Increases in the value of payments passing through the MomoPay digital payment application in the period from 5 January 2019 to 19 April 2020. On 19 March 2020, the Rwandan government waived all-digital payment fees, initiating a 397% increase in weekly transaction volume. 1 USD was equal to approximately 956 RWF on the 19th March of 2020.

Source: Centre for Financial Regulation 2020.

A recent World Bank report by Niyibizi et al. (2020) concluded that Rwanda has the potential to build on previous achievements to work towards a prosperous future. Though emphasizing the low starting position, particularly when comparing several metrics with South Africa, Kenya, Nigeria, and Ghana, the potential is present. However, this is dependent on maintaining strong leadership, institutions, and a reputation as a stable and agreeable partner in international exchange. To understand how Rwandan political development is intricately tied to the socio-political development of the nation, we need to look at some of the unique governing characteristics.

II. Socio-Political Factors Affecting Rwandan Development

While it would be easy to take most of the developmental progress as positive developments, it should nevertheless be noted that there are also detractors to the Rwandan developmental model, especially among those critics of the idea of applying Rwanda as a model for the rest of Africa. Rwanda's development

process has come at the cost of certain fundamental human rights, for example, freedom of expression and freedom of association (Sundaram 2017). Such repression is seen as necessary by the Rwandan Patriotic Front (RPF), the populist ruling party which has led the country since the end of the civil war in 1994, as they believe that only the RPF can bring prosperity to the nation. Such idealism, however, might be self-serving as economic power is accumulated in the hands of party members (AFP 2017). This monopolization of resources makes it exceedingly difficult for opposition parties to campaign effectively.

None of which, however, no matter how distasteful from the perspective of ingrained democratic values, is a direct, clear counter to the exportability of the Rwandan model. After all, we are dealing with a country that might be considered emulating the Chinese model, a highly successful authoritarian state-capitalist system that is equal to none in bringing the most significant number of people out of poverty in the 21st century (UN 2015, p.15). For the much more damning counter to universality in the application, one first needs to understand the Rwandan political economy as put forth by Booth and Golooba-Mutebi (2012). They argue that the Rwandan government is showing tendencies of developmental patrimonialism. This concept also referred to as neopatrimonialism, is defined as the situation in which the ruling elite of a country acquire and centralize the management of resources to improve both their income and secure the cooperation and loyalty necessary for the maintenance of their power.

Neopatrimonialism is the advancement of patrimonialism as defined by Max Weber (Beekers & Gool 2012, pp.11–12). Weber outlined tendencies in monarchical or tribal systems to dominate either via the maintenance of traditional bureaucratic systems, such as in the Roman or Chinese Empires, or via feudalistic allegiances, which often include family ties, as per feudalism during medieval Europe (Ibid.; Guliyev 2011, p.577). Similarly, pre-colonial Rwanda, where a similar serf-lord relationship developed from 1860 onward, can be considered feudalistic in this sense (Pottier 2002, p.13). The critical understanding of power at that time was that it was seen as the personal purview of the person charged with its exercise, the result of weak institutionalization in pre-modern states (Guliyev 2011, pp.577–578). With appeals

to tradition being one of the core sources of legitimacy for the maintenance of these structures. Neopatrimonialism is the evolution of this concept within structures provided by the modern state.

In the context of postcolonial states such as Rwanda, the state, with its ostensibly permanent multilayered bureaucratic departments and institutes, becomes the representation of the ideal employment opportunity within economically disadvantaged regions. For a job-hungry populace, the stability, prestige, and potential for advancement provide hope in an otherwise difficult economic environment lacking opportunities for entrepreneurship (Beekers & Gool 2012, p.12). In this modern development, neopatrimonialism necessitates the precarious balance between the elite's self-enrichment with the necessary wealth distribution required to maintain their position within the bureaucratic apparatus (Ibid., p.13; Booth & Golooba-Mutebi, p.386). However, the traditionalist legitimacy has been abandoned, with instead administrators of postcolonial societies having to purchase their legitimacy from their necessary allies, creating branching networks of layered hierarchical interdependence.

As Guliyev (2011, p.584) outlines, it is erroneous to equate patrimonialism with inefficiency or dysfunctionality from a conceptual standpoint. Other nations that have been described as showing indicators of neopatrimonialism have been highly successful in development. When China started its economic liberalization process, it also relaxed administrative control by the central government and the Chinese Communist Party (CCP) over local administrations to increase economic efficiency. Careers in officialdom, however, still required CCP appointment, with privileges being bestowed based on obedience. Meanwhile, its socialist past exacerbated neopatrimonialistic tendencies due to the corruption potential of the centralized distribution of goods and services (Wu 2015, pp.285–286). Overall, the scale of China's economic growth maintains the CCP's legitimacy, while the one-party system allows for leeway compared to the direct challenge from rival political groups.

Under neopatrimonialism in ostensibly democratic nations, a strong leader needs to establish internal and external authority to avert the threat of electoral defeat. Electoral defeat for the ruling party would damage the developmental

process. It would trigger a shift from long-term investments to short-term gains to appease the electorate, and deliver on campaign promises. Meanwhile, a strong authority is needed to avoid internal corruption, otherwise kept in check by democratic processes. Commentators have noted that in Rwanda, this is achieved through peer shaming (Allison 2017). When such conditions are maintained, patrimonialism can be beneficial.

These undemocratic tendencies necessarily require the suppression of dissenting voices, which means that states undergoing this mode of development forgo simultaneous development in the sphere of human rights. For many other African states, this is simply not feasible. The Rwandan political system is the result of the nation's historical processes. In other countries, strong opposition parties, weak internal corruption suppression mechanisms, and variations on regionalism and ethnocentrism make applying the Rwandan model difficult and potentially even dangerous to attempt.

III: Rwanda's Place on the Digital Silk Road

There are many examples of China's infrastructure development in Rwanda with varying degrees of success (Lisimba & Parashar 2020; Mugabe 2019; Musoni 2012). Topping out the list of Rwanda's largest prestige projects undertaken by the PRC has to be undoubtedly the new administrative complex in the capital Kigali. This complex, housing several government offices, including the office of the prime minister, was a gift from the PRC government to the Rwandan government. It was officially opened by Zheng Jianbang, one of the 15 incumbent vice-chairmen of the National Committee of the Chinese People's Political Consultative Conference (Tasamba 2019). This project and a wide variety of other projects all fall within the framework of the BRI.

The BRI is the CCP's major project for the integration of Asia, Europe, and Africa along the old Silk Road via trade and infrastructure networks (CCP 2017, p.8). The CCP has been criticized as growth-dependent, meaning that its source of legitimacy stems from increasing the Chinese people's general well-being. To sustain this growth, China needs to expand its products to new markets and acquire the necessary resources that facilitate production. This has led Lisimba

and Parashar (2020, p.8) to argue that Rwanda makes an odd partner in the BRI scheme considering its small population, small relative size, and lack of natural resources. Indeed, approximately 12.6 million Rwandese do not even cover half of Beijing's population. That is not to say Chinese investments never touch small, impoverished states, as with the example of Djibouti, an even smaller, poorer, and less populated African state. However, Djibouti's geography makes it one of the world's most strategically vital chokepoints in maritime trade (Jeong-ho, 2019; CRS 2019). Conversely, Rwanda is a landlocked nation not located near any such significant geographic features.

Nevertheless, Chinese aid to Rwanda has been rising steadily (Lisimba & Parashar, 2020; Booth and Golooba-Mutebi, 2012, p.399). Moreover, while most of the major infrastructure projects of the BRI have thus far garnered significant discourse and scholarly interest, until now, little has been said about Chinese digital development assistance to Rwanda. Nevertheless, the concept of digital ODA, when technologically advanced states offer assistance with the digital integration of developing economies and the tackling of digital issues, is beginning to take hold in the minds of policymakers. One reason for this increased interest is the geostrategic challenge posed by the Chinese BRI's digital components (Okano-Heijmans & Vosse 2020).

Kuo (2016) presents us with a possible rationale for what had been seen as aberrant Chinese interests in Rwanda, arguing that the creation of a Chinese hub in Rwanda is in line with the Vision 2020 strategy; with the development of special economic zones being an indication of this developing logistics network. While there is definite merit in this assertion, more interesting is what Kuo mentions in passing; the adoption of Chinese digital payment systems such as, for instance, AliPay by Alibaba and WeChat Pay by Tencent. California State University's James Rea (2020) outlines the challenge the CCP poses to entrenched systems of global finance: creating regional hubs for financial services to further Chinese investments and deepen the integration of these alternative digital payment systems, erecting what Rea calls a 'pivot point for global economic integration' outside the control of what China views as Western financial institutions. In this sense, Chinese Digital ODA can be seen as an attempt at the disruption of the Bretton Woods System dominated by the West.

As explained by Bräutigam (2011), it is challenging to qualify Chinese aid as ODA. While ODA is a part of Chinese assistance, we should primarily distinguish direct financing and non-concessional state loans from aid used to foster further Chinese investment. The latter focuses on creating circumstances that benefit the grafting of Chinese business within the developing nation. In the next section, we will cover the Electronic World Trade Platform, one aspect of a broader tapestry of elements in the alternative commercial and financial system being developed by China.

IV. Alibaba and the Electronic World Trade Platform

Initially founded in 1999 as an online marketplace for Chinese SMEs, Alibaba has grown to encompass a wide variety of services from e-commerce to emerging sectors such as cloud computing and financial technology (Chen 2017). The most prominent entry in the latter category being the aforementioned payment platform Alipay. Today, the digital monolith Alibaba is a massive state-backed corporation with the resources to offer developing countries like Rwanda the necessary infrastructure to manage their SMEs' global market access. The company's founder, Jack Ma, has indicated that Alibaba's overseas projects have been direct support to the BRI (Linliang 2019, p.95).

During the celebrations marking the 70th anniversary of the founding of the PRC, Rwandan Minister of State Nduhungirehe commented that the BRI offers several benefits to the East African nation, including boosting economic development, increasing regional integration, and increased access to infrastructure (Xinhua 2019). According to Chinese state media, Rwanda's particular developmental strategy with its heavy emphasis on ICT development has seen progress in integration with the BRI's digital sphere (Wei 2019). In 2018 Rwanda and Alibaba signed agreements tying its SMEs into the Alibaba digital infrastructure, becoming the first nation to join the Electronic World Trade Platform (EWTP). In the words of the Alibaba promotional campaign, this platform is designed to change the rules of international trade. By providing global commerce infrastructure to developing nations, the EWTP should allow SMEs to compete with established businesses in the developed world. This process is a cornerstone of the BRI's digital endeavors to internationalize

Chinese homegrown tech giants (Seoane 2020).

At its core, the EWTP framework is slated to take care of the public-private interactions to facilitate cross-border e-commerce. An example of EWTP interfacing with governmental systems occurs in Belgium, the only European member of the EWTP. Belgium has developed a digital customs clearance system known as BeGate, which has since been connected with the EWTP's public service platform, allowing merchants to speed up customs clearance times by effectively managing their declarations (eWTP n.d. B; Federal Public Service n.d.). This is a trust-based system, allowing those certified merchants to declare large volumes, which can then enter the country immediately. Only those selected by customs control for inspection would be delayed entry into Belgium (ISSUU 2020). As such, Alibaba's logistics arm Cainiao, operating from the Belgian city of Liège, can connect directly to BeGate via the EWTP, automating a significant portion of the administrative process almost entirely from within the Alibaba ecosystem. For SMEs, this means lower costs and significantly increased efficiency of cross-border trade.

In 2019 the China-Rwanda Business Forum was held in Zhejiang, during which the Rwanda Development Board, a cabinet-level governmental agency responsible for the inter-departmental facilitation of investment in the Rwandan economy, signed four memoranda of understandings. Three of which were between entities of the Alibaba Group. Including the extension of the EWTP framework utilizing the Alibaba digital infrastructure (MINICOM 2019). Sole reliance on Alibaba as an infrastructure provider creates the potential for a new type of digital dependence on China. While the EWTP narrative is one of inclusive globalization, at the same time, it is positioning as a counter to Silicon Valley's digital hegemony. Today, the argument presented by the EWTP is that they represent a private sector-led initiative (B20 2016, p.5; eWTP n.d. A). However, as Seoane (2020, p.77) rightly points out, this is counter to the state-led consultative development model of the CCP, and as such would undoubtedly lead to conflicts of authority. Particularly considering Alibaba itself has not been exempted from state control. Conversely, it is difficult to assess where ODA ends, and commercial interests begin as a nominally private entity.

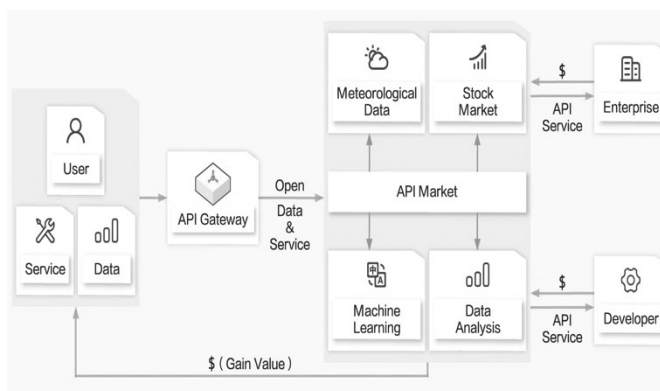


Figure 2, diagram of what Alibaba refers to as the ‘API Economy.’ APIs or Application Programming Interfaces are one of the methods computer programs use to interact with one another. This diagram outlines Alibaba’s monetization plan, allowing companies to integrate their products into the Alibaba ecosystem and giving them access to accumulated and aggregated data collected by individual users of Alibaba products or services. Individual users are often unaware of the nature and/or quantity of their data being shared and to which third parties this data is being transferred.

Source: Alibaba Cloud 2020.

Alibaba’s push for ecosystem integration, the process in which various formerly distinct platforms come to utilize Alibaba infrastructure, would aid it in the race for data accumulation. This so-called ‘Big Data’ is highly sought after by major technology firms worldwide due to the benefits analysis of this data can bring; for instance, via predicting user behavior, allowing for effective targeted advertising. Vision 2020’s goal of promoting a private sector-led economy could see a significant boost under the EWTP by increasing the reach of Rwandan SMEs through e-commerce, providing the ability to reach a global audience. However, if Rwanda does not manage its back-end infrastructure, as Belgium does for instance with its homegrown BeGate customs clearance platform, and further outsources such vital infrastructure to Alibaba or other foreign interests, it could negatively impact Rwandan national security by losing sight of the nature of the information exchange.

Furthermore, merely creating a level digital playing field is not enough to compete with Chinese SMEs (Seoane 2020, p.78). A single glance at Western e-commerce platforms such as eBay highlights this, with a near-total market

dominance for low-end goods such as cheap electronics or textiles originating from China. Although it is still far too early to tell, simple productivity factors could end up deciding the success of Rwandan SMEs within the EWTP system while further lending credence to the argumentation that Chinese aid shows non-aid characteristics. Additionally, we can see the massive geostrategic benefit Chinese protectionist policies for the stimulation of a homegrown technology sector have had. The sheltered internal market has allowed them to grow to the level where they are now competing with the OECD DAC for influence in Africa. Whether this is a case of strategic foresight or the result of a series of side-effects to domestic policies remains open to future studies.

V. Conclusion

Previous research has shown that Rwanda's historical and social contexts have resulted in the growth of a unique developmental trajectory where economic development has progressed at a steady pace while stagnating human rights. Guided by Vision 2020, Rwanda has taken several cues from China's development, particularly when looking at the priority given to digital infrastructure, tools, and capacities. Especially now, with the COVID-19 pandemic, it seems specific transitions, such as to a cashless society, have received a more generous impulse. Overall, digitalization itself can be a great tool to further economic growth. As outlined, the success of the Rwandan model of development is based on the maintenance of neopatrimonialism. Therefore, the likelihood that Rwanda will see further digital development that is akin to that of the PRC is a possibility. Much like the PRC, internal stability, particularly of political structures, will be considered paramount within the ruling elite's developmental process. Regime change in a neopatrimonialist structure would lead to reverberating changes down the hierarchical ladder. To avoid this, it might make Rwanda susceptible to implementing further measures curtailing human rights.

Unlike China, with its burgeoning technology sectors, which were allowed to grow in relatively sheltered circumstances due to strong protectionist measures, Rwanda has to deal with the realities of its current developmental circumstances. As a result, Rwanda does not have the technical capacities

necessary to construct high-tech infrastructure on the scale required to transition the country from a predominantly agricultural society to a middle-income state with a focus on ICT. China offers a solution to realize a part of its digital dreams set out in Vision 2020, for instance, via agreements such as the Electronic World Trade Platform (EWTP). This project makes it possible for Rwanda to develop its e-commerce sector rapidly and, as a result, increase economic output by increasing its SME's market access.

Lacking advanced homegrown ICT development means Rwanda has less control over various aspects of the technology. Ultimately, the EWTP's backbone infrastructure systems remain under the control of Alibaba and, by extension, the PRC. Despite this, if Rwanda develops its interface with the EWTP as Belgium has done regarding its customs clearance system and remains in firm control over those systems, the dangers can be minimized. Meanwhile, there are still privacy concerns brought about by digitization; questions raised about to what degree Rwanda wants to follow the lead of other regions with high internet penetration in allowing its citizens' data to become a commodity.

We might be witnessing the development of a new form of digital dependency. As more of these technologies become required to maintain daily affairs and the more integrated these technologies become with the economy, the more potential for various security concerns arise, and the more disruptive a potential change would be, particularly when this control can be leveraged for political clout. Therefore, we should never underestimate the potential for digital dependence on service providers.

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Abstract

Rwanda's Place on the Digital Silk Road: Discussing Rwanda Vision 2020 from the Perspective of Chinese Development Assistance

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Rwanda Vision 2020 was the 20-year development plan that aimed to guide the nation's development from a low-income agricultural society to a middle-income service-oriented society with a heavy emphasis on ICT. Overall, Rwanda has been making steady progress in national development, increasing various metrics from their relatively low starting position. Some of this progress has been made with international development assistance, including that of China. However, compared to other Chinese projects in Africa, the Rwandan case seems to be an outlier in the Chinese modus operandi. This article postulates that the Rwanda-China cooperation is different from other Africa-China initiatives. This difference is especially observable through an interrogation of the flow of Chinese service sector investments. This perspective is often ignored in literature, particularly alternative financial systems that use digital payments or that intergrate e-commerce networks

Rwanda has been described as a neopatrimonial state. This means that the ruling Rwandan Patriotic Front (RPF) has centralized the management of resources for rent seeking, to secure cooperation, and maintain power. One of the negative caveats of this type of political structure is that its continuation tends to lead to human rights suppression. This is concerning because, firstly, the prioritization of economic development and specifically in the ICT sector, might lead to the adoption of not just the tools necessary for e-commerce, but also the digital repression tools for which China has become famous. Secondly, because the ruling party's legitimacy stems mainly from the continuation of economic growth, it might lead to selling out long-term security for short-term

gains. As such, this paper shows that there is a risk of new forms of digital dependence and that Rwanda's specific socio-economic circumstances have created the potential for digitalization to be used for authoritarian purposes.

As a result of its historical legacy, Rwanda currently lacks the homegrown capacity for rapid digitalization. At the same time, China is developing the Belt and Road Initiative (BRI), seeking to integrate markets further and spread soft power influence. Now the digital aspects of the BRI integration process can facilitate part of Rwanda's digital dream. This article contains an outline of several of these developments, which were selected because of their timely nature; the rapid adoption of cashless payment systems resulting from the COVID-19 Pandemic and Rwanda's entry into the Chinese megacorporation Alibaba's Electronic World Trade Platform (EWTP). At its core, the EWTP framework is slated to take care of the public-private interactions to facilitate cross-border e-commerce. The issues discussed here, which are now coming to the foreground in Rwanda, are set to expand rapidly across the developing world in the near future. As such, more interest should be placed on digital development assistance within the frame of developmental studies.

Keywords: Alibaba, China, Digital ODA, Electronic World Trade Platform, Neopatrimonialism, Rwanda, Vision 2020.