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## China and the South: Objectives, Actors and Interactions

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### ABSTRACT

China has stepped up its engagement of developing countries through both bilateral interactions and the establishment of more formal multilateral fora. To do so, China's leaders have established a clear state policy designed to secure much needed resources and to establish an identity as a new and different type of 'great power'. China has also become a proactive provider of development aid which, when combined with other forms of economic engagement, have raised concerns in the West that China is undermining the promotion of a liberal global order. But we need to take care in considering who, or what, is driving Chinese policy. The institutional weakness of the Ministry of Foreign Affairs means that commercial and financial agencies have dominated the agenda. And major State Owned Enterprises and increasingly large numbers of small often private enterprises are pursuing their own commercial agendas overseas, which are often not controllable from/by Beijing. The result is a patchwork of different types of relationships with developing countries, more often driven by the commercial concerns of economic actors rather than by a coherent diplomatic strategy.

**KEYWORDS:** China, South-South relations, resource politics; Overseas Development Assistance

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## INTRODUCTION

The idea of China as a partner in South-South cooperation has made something of a comeback in China recent years. The promotion of a ‘go global’ strategy for Chinese firms in 1999 and the creation of the Forum on China-Africa Cooperation (FOCAC) the following year were both important turning points (Ji, 2010), and two examples of strategic initiatives designed to facilitate increased (primarily economic) contacts with other developing countries. Emphasising South-South collaboration has become a firm part of official foreign policy discourse ever since<sup>1</sup> - most notably when it comes to calls for changes to the existing structures of global governance, or when Chinese officials meet with representatives of other developing countries.

These initiatives, and the way that they are announced at high profile national and international events, helps give the impression that China’s leaders are in control of a coordinated grand strategy (Alden and Hughes, 2009). The fact that major State Owned Enterprises (SOEs) are involved in myriad projects overseas, often funded by Chinese development loans, also helps build an image of a coherent concerted national project in pursuit of strategic national goals (Fishman, 2005). And as this paper will show, such goals really do exist. In addition to the oft repeated search for guaranteed access to strategic economic resources, China’s leaders hope to establish a preferred national image of China as a Great Power; a power that is itself part of the South, that shares the goals and aspirations of other developing countries, and will deal with them as equal partners to create a more ‘democratic’ global order.

But this does not mean that all that is said (and done) by people or companies associated with China about (and in) other developing countries should be thought of as representing a single orchestrated project in support of *national* or *state* goals. The reality is that many Chinese companies operating overseas are simply in pursuit of their own *commercial* goals. So the very simple questions that is at the heart of this paper is what (and who) exactly is driving Chinese relations with developing

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<sup>1</sup> The Foreign Ministry issued a formal ‘position’ (*lichang*) on ‘South-South Cooperation’ in 2003 (FMPRC, 2003; 2006a). I’ve collected articles and statements from the Foreign Ministry that deal with South-South relations at <http://tinyurl.com/nannan>.

countries? This generates a secondary question; do different interests, actors and drivers come together to form a single coherent effort, or do they at times lead in different and potentially conflicting directions?

To begin to understand what is driving China's relations with other developing countries, the first step is to separate out the high politics of geo-strategic and geo-economic state strategies from day-to-day commercially driven activities. To do this we need to disaggregate China and identify the increasingly diverse and plural set of interests and actors who either talk about relations with the south or actually carry them out (or both). Doing so establishes that there is no single 'China inc' (Gill and Reilly, 2007; Taylor and Xiao, 2009) – a single organised coherent state project - but instead a variety of different interests and interactions.

This is not an exercise in denying the importance of the state in Chinese overseas economic interactions, but instead thinking about the state in two different ways. First, by noting that the way that Chinese aid strategies are operationalised makes it difficult to identify where Chinese state interests end, and corporate interests begin. This includes thinking about the role of non-state actors, but perhaps most clearly, thinking about what we mean when we talk of the Chinese state – breaking it down and identifying different voices, interests and actors *within* the state system itself. Second, by thinking about who is acting on behalf of whom. State policies are clearly important in supporting the commercial objectives of Chinese enterprises overseas (Downs 2007), and helping companies make money might be considered to be a state priority. But such 'state guidance or direction with a commercial rationale' (Brautigam and Tang 2012, 800) is not the same as commercial actors being deployed to attain grander geostrategic ends.

And it's not just that different actors have different objectives, but that these can sometimes pull on different directions. For example, the foreign policy related community in China often complain that the state project of establishing a preferred national image is being undermined by the sometimes less than fraternal actions of

Chinese companies and individuals operating in other developing countries.<sup>2</sup> It's worth remembering here that the rapid growth of Chinese investment overseas over a relatively short time period has radically changed the nature of Chinese international interactions. When these interactions were dominated by diplomatic issues and actors, then the channels of communication, command and responsibility were relatively clear and consistent. When they become expanded to include economic actors, then the Ministry of Foreign Affairs (MFA) simply does not have the authority or ability to exert influence and control. Indeed, given the financial strength of some of the large SOEs at one extreme, and the multitude of small-scale and individual traders at the other, even economic agencies like the Ministry of Commerce (MOFCOM) find it difficult to assert themselves and the primacy of national interests.

In this respect, it seems that the Chinese foreign policy bureaucracy has yet to come to terms with the reality of pursuing international relations (however defined) when the number of foreign policy actors and interests is expanded. And so too have some external observers. Trying to establish an identity as being 'different' is somewhat difficult if it's not possible to control the actions of all those who are identified (rightly or wrongly) as representing China. So as Chinese economic interests expand, the set of challenges facing (foreign) policy makers increases and the ability to control how 'China' is perceived declines.

## **OBJECTIVES – IDENTIFYING DIFFERENT INTERESTS**

Trying to identify what China wants from its relations with other developing countries in many ways depends on who speaks and acts for China – an issue we shall return to shortly. But in terms of overarching ambitions and goals, there appear to be three major drivers: what we might call strategic diplomatic (including strategic ideational goals), strategic economic, and commercial objectives.

### **Strategic Diplomatic**

For many years, China's rather modest developmental activities were driven by geostrategic concerns primarily delivered through diplomatic means. China's self-proclaimed position as leader of the 'Third World' resulted in initiatives designed to

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<sup>2</sup> This message has been repeated on a number of times in interviews in foreign policy related think tanks in Beijing.

lure states away from alliance with either the Soviet Union or the United States. More importantly, ensuring that developing countries supported the one-China principle, and recognised the People's Republic of China (PRC) rather than the Republic of China on Taiwan as the legal representative of that one China was a key driver of Chinese policy (Taylor, 1998). It also helped to ensure that the numbers stacked up in China's favour; for example in getting into the UN in 1971.

Even though Taiwan has lost most of its diplomatic allies, the one-China policy remains a core principle underlying China's relations with developing countries. Those countries that are prepared to switch recognition from Taipei to Beijing benefit from considerable new Chinese aid, financial support, construction projects, trade agreements and so on. While in the 1990s, Taiwan responded with similar initiatives to try and persuade countries to recognise Taipei instead, only Nauru and St Lucia have switched back to recognising Taiwan in the new millennium (in 2005 and 2007 respectively). Even here, though, diplomatic objectives and principles are not always absolute with Caribbean countries that recognise Taiwan participating in economic and trade forums in the region.

One of China's leading Africa specialist, He Wenping (2007), also points to the strategic objective of ensuring developing country support if there is a vote on China's human rights record at the UNHRC. She also notes a growing interest in south-south cooperation to deal with Non Traditional Security challenges, though here the emphasis is typically on building relations with other developing countries in Asia. As articulated in the 2002 'New Security Concept' (State Council 2002), 'new' security challenges like regional and global economic instability, environmental issues, and transnational crime and terrorism all pointed to the necessity of building cooperative partnerships with other developing countries (Wang, 2004).

### *Strategic Ideational*

Establishing China's role as an 'alternative' for developing countries still plays a role today – not an alternative to the superpowers in a bipolar world, but an alternative to the dominance of neoliberalism and an alternative type of global Great Power. China is not just an alternative economic partner - a new source of aid and investment and an increasingly important market – but an economic partner that does not attach

liberalising or ‘good governance’ strings to economic relations. And emphasising China’s developing country status helps promote an idea of common purpose and fraternity in China’s dealings with other developing countries.

Rather than act like previous great powers that treated developing countries as unequals (and often colonised them), the message is that China will develop ‘win-win’ relationships based on ‘sincerity, friendship and equality’, ‘mutual benefit, reciprocity and common prosperity’, ‘mutual support and close coordination’ and ‘learning from each other and seeking common development’.<sup>3</sup> Perhaps China might also provide a new development model that others can learn from; an example of strong state developmentalism rather than following neoliberal prescriptions associated with the West.

### **Strategic Economic**

In light of the global financial crisis, some Chinese economists began to emphasise south-south cooperation as a means of reducing dependence on trade with the West in a rapidly changing global environment (Zhu, 2009; Lu and He, 2009). And of course there are more tangible material reasons for developing South-South relation than just selling an image. Chinese SOEs access to other states is often eased by high level diplomatic interaction. And while the Chinese state is happy to use economic means as a way of establishing its preferred image of itself as economic actor, the opposite is also true; diplomacy is used as a means to the end of achieving broader economic objectives. Within the literature on China and the South, the search for resources is frequently near the top of the list of objectives. And quite rightly so, as China’s perceived resource vulnerability (Kennedy, 2010) has been a major driver of overseas activity. While the focus has tended to be on energy and other industrial resources, conceptions of food security have increased in importance in China in recent years and been a key component of Chinese trade with some developing countries (Han, 2011).

### *Commercial Activities*

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<sup>3</sup> These quotes are all from the official foreign ministry position paper on relations with Africa (FMPRC, 2006b) but are repeated in numerous statements on China’s relations with developing countries as a whole.

While the search for resources is clearly important, this does not mean that China's energy related activities in other developing countries are always driven by a nationally defined economic strategy. Quite simply, the search for commercial profits is important too. So although China's companies might be supported in going overseas by diplomatic activities and through financial support from state banks, as Downs (2007: 48) argues 'when it comes to choosing where to invest, the companies are almost always in the driver's seat and the Chinese government .... is often just along for the ride with little idea of the final destination'. In addition, Brautigam (2009) has shown that these companies are under no obligation to simply send resources back to China, but can do whatever it takes to make profits. The same is true for many of the energy related infrastructure projects built by Chinese companies. To be sure, some of these projects make it easier to move resources out of the host country and into China – but not all of it goes to China and ignoring a basic profit motive overlooks a key driver of actions towards and in other developing countries.

Brautigam's (2009: 90-91) research also shows that Chinese investment in manufacturing processes exceeds mining investment in Africa, pointing to the importance of commercial logics beyond resource and resource related investments. In Latin America too, as overall investment has increased, then the importance of manufacturing and going beyond just resource relationships into other commercially driven projects has also increased. According to a Deutsche Bank (2006: 4) report, this is partly because 'hyper-competition' at homes has forced some producers (with state support), to look for overseas markets as alternative sources of profits. Gu Jing (2011) argues that the key has been Small and Medium Enterprises that find it much easier to make a profit when they move to developing countries than to compete with SOEs back home.

### **ACTORS – WHO (OR WHAT) IS 'CHINA'?**

At a general level, we can associate these different interests with different actors, starting with the role that China's top leaders play in establishing the overall framework of south-south relations.<sup>4</sup> The perceived importance of Asia for China

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<sup>4</sup> For an excellent detailed analysis of who makes up this elite level and who does what in the 'formal' foreign policy process in general (and how they are influenced by 'new' actors), see Jakobsen and Knox (2010).



means that developing countries in the region have been prioritised in terms of formal diplomatic relations and initiatives. But Wen Jiabao, Hu Jintao and other senior officials have also made numerous trips to Africa, Latin America and the Middle East, and have also received reciprocal visits back to China. Bilateral visits are supported by multilateral engagement – through speeches at major UN meetings, through the BRICS (Brazil, Russia, India, China, South Africa) leaders’ meetings, with Asian developing countries through ASEAN-China (and ASEAN+3) summits and the Shanghai Cooperation Organisation, and with African states through the FOCAC. The annual Bo’ao Forum for Asia has also become a means of articulating Chinese interests and objectives (though the audience is wider than just developing countries here).

The Chinese leadership has become adept at using these fora for international public relations exercises; reasserting the moral and ethical basis of China’s international relations, emphasising the extent (and growth) of China’s economic relationship with other developing countries, and showing Chinese benevolence and global responsibility by announcing new aid projects and other economic strategies.<sup>5</sup> China’s leaders also seem to have a predilection for signing ‘strategic partnerships’ (though not just with developing countries) which are typically accompanied by affirmations of shared basic principles to international relations (Heginbotham, 2007: 198).

### **Disaggregating the State**

Overall control of foreign affairs lies in the remit of the Central Foreign Affairs Leading Small Group, chaired by Xi Jinping as party General Secretary (and before him Hu Jintao), which is responsible for making major policy decisions. On a more day to day basis, the MFA is responsible for making statements on overarching policy and strategy, hosting foreign guests and international cooperation meetings, and through diplomatic agencies overseas, providing the political environment required to

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<sup>5</sup> Examples include: the announcement of further aid to Pakistan at the 2010 MDG summit in the UN; the assertion of the importance of sovereignty and independent paths to development, and calls for reform of global economic governance at BRICS summits; launching clean energy, agricultural and health projects at the 2009 FOCAC ministerial meeting; and announcing a US\$17 million donation to the Asia Regional Cooperation Fund at the 2010 ASEAN-China summit.

facilitate economic exchanges. Yet scholars close to the foreign policy bureaucracy in China suggest that the MFA has lost considerable ground to economic ministries and agencies as the nature of China's international interactions has changed.

### *Chinese Overseas Aid*

This brings us to the issue of the bureaucratic management of international economic relations – which to say the least is a rather complex affair. China's relations with other developing countries do not fit easily with existing conceptions of a division between commercial and aid activities that have come to dominate in the West. This might stem from a basic understanding in Chinese policy making and academic circles that in terms of grand objectives, aid, investment and trade are all seen as part of a single broad engagement strategy (Power and Mohan, 2011). Thus, aid is 'part of the portfolio of tools used by an activist, developmental government with a clear vision of what it needs to do to promote its national goals overseas' (Brautigam, 2009: 14). And this is one of the reasons why the growth of Chinese aid has been considered to be changing the rules of the aid game, and greeted with less than universal acclaim and even outright concern in some places (Woods, 2008).

In the official White Paper on aid, first published in April 2011 (State Council, 2011), China divided its official aid into three different types; grants, interest free loans and concessional loans. Grants are the main form of funding for social programmes (hospital and school construction, water projects, technical cooperation, emergency aid etc). Interest free loans are also 'social' in nature by supporting public facilities. These are typically for 20 year periods, with repayment starting after year ten. Concessional loans are for productive projects, and most of the money goes for transport, communications and infrastructure programmes (61 per cent of all loans) and the development of mineral and energy resources (8.9 per cent). These are for 15-20 years with repayment starting between years 5 and 7, with an interest rate of 2 to 3 per cent. The paper noted that such foreign aid spending increased nearly 30 per cent between 2004 and 2009.

It is interesting to note that China has no overarching aid ministry. What we might call traditional or social development aid falls under the remit of MOFCOM's Department of Aid to other Countries, with the overall budget for such activities set

by the Ministry of Finance. While it might sound odd for this to be a MOFCOM responsibility, it is a hangover from the old Ministry of Foreign Economic Trade and Cooperation, which had a wider remit than just straightforward commercial relations. In addition, individual ministries are responsible for other forms of social development aid – The Ministry of Health, the Ministry of Science and Technology, the Ministry of Education, the Ministry of Agriculture and the Ministry of Communications being the key players (Kobayashi, 2008; Chin and Frolic, 2007). The Ministry of Civil Affairs and the Ministry of Defence both have roles to play in coordinating any use of Chinese military personnel in disaster relief overseas.

But when it comes to projects with a commercial dimension, the extent to which Chinese assistance counts as traditionally defined aid becomes difficult to gauge. In practical terms, China is not a member of the OECD, and therefore is not a member of its Development Assistance Committee (DAC) that has become the global referent point for defining and measuring Official Development Assistance (ODA). Neither does it release information and data on overseas economic relations that conforms to international standards and definitions as established by the DAC. The DAC definition includes a specification of a grant element of at least 25 per cent in any concessional loans for it to count as ODA. As Hubbard (2007) notes, while it's sometimes possible to find out the exact details of Chinese concessional loans from the recipient side, they are not published in China and it is unclear which loans meet this criteria.

DAC also defines ODA as 'flows of official financing administered with the promotion of the economic development and welfare of developing countries as *the main objective*' [emphasis added] (IMF, 2003). In the Chinese case, the emphasis on mutual benefit and win-win scenarios makes the issue of identifying the 'main objective' somewhere difficult as there is a clear expectation that aid to other countries will also benefit Chinese companies as well. According to Kobayashi (2008), the criteria for approving concessional loans include generating favourable economic returns for the Chinese partner, including the majority of the procurement of equipment, services, technology and materials coming from Chinese sources. Thus, Hubbard (2007), Kobayashi (2008) and Davies (2010) all conclude that the promotion of Chinese firms overseas commercial activities is at least as important as the

promotion of welfare for the recipient countries, and thus should not be considered to be ODA – even though these activities deliver considerable developmental benefits to China’s partners.

The importance of grants and loans also increases the scope of actors involved in two ways. First, Kobayashi (2008), Lancaster (2007) and Lönnqvist (2008) all point to the reactive nature of much Chinese aid. The requests are made by the recipient country in combination with a Chinese firm to MOFCOM and for consideration based on commercial criteria as well as the necessity of the project. Second, it brings in the central importance of the banks. The Export-Import Bank of China (Eximbank) is the major funder of concessional loans and thus arguably the major actor in China’s overseas development activities. If you take a loose definition of overseas development to include all loans made to developing countries, then the China Development Bank and the Bank of China also become part of the Chinese development bureaucracy. By tracking announcements of loans made in the media in China and overseas, a Financial Times report came to the calculation that China had lent a total of US\$110bn in 2009 and 2010 – much of it low interest rate loans for energy deals. This was nearly US\$10 billion more than the World Bank had lent over a similar period (Dyer et al, 2011).

#### *Overseas Commercial Activities*

When it comes to purely commercial activities, then identifying actors, processes and flows becomes even more difficult. MOFCOM has overall responsibility for developing go global strategies, particularly through its Commercial Investment Promotion Agency. But there is also a separate China Council for the Promotion of International Trade which also has an overt investment promotion responsibility in addition to its trade promotion activities.

As already noted, the Eximbank is the major provider of concessional loans that at the very least blur the distinction between traditionally conceived of ODA and the promotion of the commercial interests of Chinese companies. The China Development Bank is also a key provider of funds to support ‘go global’ activities, including since 2007 having a special China Africa Development fund to support Chinese enterprises’ activities in China ‘based on market economy principles’ (rather

than need driven aid considerations).<sup>6</sup> The China Development Bank also issues loans and credit to other countries, typically with commercial consequences in the form of partial repayments in resources (Brautigam, 2011). The State Council established China Export and Credit Insurance Corporation replaced the People's Insurance Company in 2001 as the main state agency to 'support Chinese exports and investment abroad by insuring against buyer and country risks, such as foreign exchange restrictions, expropriation, nationalization, and war' (Wang, 2007: 16).

The State Administration of Foreign Exchange (SAFE) independently funds some policy lending activities overseas and, given the relative lack of financial and currency liberalisation in China, plays an important role in controlling and approving financial flows in general (not just for development project). To add an extra layer of complication, the National Development Reform Commission's Department of Foreign Capital Utilization is responsible for approving investment projects which entail large scale transfers of currency out of China. The department is also charged with reforming China's foreign currency regime to make it easier for companies to invest overseas, with policy changes in 2006, 2008 and 2009 gradually making it easier for companies to get hold of foreign currency to be used in overseas projects (Rosen and Hanemann, 2009: 11).

Most of the assessments of Chinese overseas investment in general, and relations with developing countries in particular, point to the importance of SOEs. Using MOFCOM figures for 2009, Salidjanova (2011) calculates that private sector ODI accounted for less than one percent of total outward flows. Even those companies that are not formally part of the state system such as Zhejiang Geely (that purchased Volvo), Huawei and ZTE operate overseas with the blessing and support of the state as 'national champions' and help created the idea of an overall concerted national effort. For example, like many nominally private companies, Huawei was established by people who had previously worked within the official system – in this case in the People's Liberation Army – and its supposed links with the military have frequently been articulated when it has come into contact with foreign governments and/or competitor companies (Economist, 2011).

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<sup>6</sup> Taken from the CADFund section of the China Development Bank website, <http://www.cdb.com.cn/english/Column.asp?ColumnId=176> accessed 7 November 2011.

But within any given sector there is typically more than one state (or state related) actor, and competition between different SOEs is far from uncommon (even where supposed divisions of interest and activity have been established between them). As Liou (2009) argues, when the different commercial interests of competing SOEs come into contact with each other, this can result in them pursuing market driven relations with host governments and firms that run counter to the political/foreign policy objectives of the Chinese state. And for Downs (2007: 49), the operational autonomy of companies increases as their profits rise and they come to rely more on ‘their globalizing senior management, and ... international banks and consultancies for investment advice’ rather than their ministerial superiors back in China.

#### *The local and the private*

There is also more to the state than the national manifestation at the central level. Local governments have their own companies that they support in overseas activities, with any project smaller than US\$3 million not requiring higher central government approval (Salidjanova, 2011). In total, there are around 100,000 locally controlled SOEs compared to just 117 (albeit often massive) SOEs controlled by the central government. Some of these locally owned companies are very large entities indeed; the Shanghai Automotive Industry Corporation and Hai’er, China’s leading manufacturer of white goods (owned by Qingdao city) are two examples of locally owned companies that now have a global reach and profile. In some areas, local governments and their allied firms have become major actors – for example where Chinese provinces invest in neighbouring or nearby states such as Yunnan and Sichuan Provinces in and with Burma, and Jilin and Liaoning in North Korea (Jakobsen and Knox, 2010 p.33).

While large SOEs dominate in terms of the amount invested overseas, locally owned firms predominate in terms of numbers of overseas operations – 88 per cent of all Chinese firms overseas according to Gill and Reilly (2007: 44). But in reality, it’s very difficult to track who is investing what and where. This is partly because of the importance of tax havens as intermediaries in global financial flows. As about two third of reported investment goes to Hong Kong and Caribbean tax havens, we don’t really know where this money is actually ending up, though we can have a good guess

that a fair amount of it has ended up back in China over the years as disguised ‘round-tripped’ investment to take advantage of special incentives for ‘foreign’ investors.<sup>7</sup>

Salidjanova (2011) notes that only officially approved projects end up in MOFCOM and SAFE statistics, and via these Chinese sources in international statistics (like UNCTAD). So if it’s not had to go through official central approval procedures, then it won’t show up in the figures. The Heritage Foundation provides an independent alternative track of Chinese overseas investment, but this doesn’t include investments of less than US\$100 million which Derek Scissors (the compiler) accepts can have a real impact in small sectors and/or small economies (though not fundamentally changing the aggregate picture).<sup>8</sup> In some parts of the world, for example, developing Asia, Chinese involvement is often characterised by numerous small investments by a number of small actors across a range of sectors. As such, the official figures are likely to under-report the significance of smaller scale investment by local government supported companies.

The significance of truly independent private companies is also probably under-reported. Jianye Wang (2007: 17) argues that these are at the ‘forefront of the country’s external trade and investment expansion’, with Gu (2009) suggesting that in numerical terms, it is private (rather than local) firms that are the numerically superior in China’s investments in Africa – 85% or so of all companies operating on the continent. However, Gu (2011) also acknowledges that the exact number isn’t clear because of opaque registration procedures, and the often blurred line between being a private company and one that falls under various forms of local government control contributes further to this opacity. But whether truly independent or under some form of local government influence, these smaller projects seem to be clearly driven by commercial and profit motives, rather than by any national level objectives and interests.

## **INTERACTIONS - TAXONOMIES OF CHINA’S RELATIONS WITH THE SOUTH**

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<sup>7</sup> Changes to investment incentive systems

<sup>8</sup> Email correspondence with the compiler, 25 October 2010. The tracker is available at <http://www.heritage.org/Research/Reports/2011/02/Chinas-Investment-Overseas-in-2010>

So we can identify a number of different Chinese actors engaged with developing countries in different ways for different reasons. This process of engagement has resulted in the division between aid, the promotion of the commercial interests of Chinese companies, and the state's search for economic security becoming somewhat blurred. In an attempt to provide some clarity, and at the risk of massive oversimplification, we can identify ten main ways in which China interacts economically with other developing countries. These are not always discrete and separate groupings as many projects will fall into at least two groups. Nevertheless, it emphasises the differential types of south-south relations emanating from China and this categorisation of relationships perhaps lays the basis for more nuanced taxonomies in the future.

First, then, China is playing an increasing role as a traditionally conceived aid donor supporting social programmes and as a forgiver of debt. The provision of concessional loans has an aid element to it, but as it is also intended to benefit the commercial activities of Chinese firms, is considered here to be a second and separate type of relationship. This can include the provision of sovereign loans to other states at preferential rates, typically entailing at least partial repayment by resources. In this respect, it is related to the third type which is resource seeking investment. This includes exploration of resources, and increasingly the purchase of land to guarantee food supplies. This sort of relationship is not simply a process of the Chinese government trying to get what it wants for national development. It is also driven by Chinese commercial actors simply searching for profits.

A fourth type is Chinese involvement in infrastructure projects – which of course at times is designed to ease the flow of resources to China, but also sees more advanced Chinese enterprises increasingly building roads and bridges on simply commercial bases in a number of developing countries. Chinese companies are particularly active in the construction of dams, participating in about 100 projects in 39 different countries (Brewer, 2008). Fifth, China is heavily involved in what we might call 'prestige' construction projects like the building of national sporting stadia, and the construction of the new African Union headquarters in Addis Ababa (which opened in January 2012); projects that are provided as gifts from China.



The sixth is the promotion of overseas special economic zones. Supported by MOFCOM, China is committed to developing 19 special zones overseas, with 16 under construction. Ten are in Asia (if we include three in Asian-Russia), two in Latin America and seven in Africa (Brautigam and Tang, 2011; 2012). African countries are now actively seeking Chinese help to develop new projects such as the proposed transnational Makona River Free Zone Development Project in Guinea, Sierra Leone and Liberia. Here Chinese help is required not just to build and operate mines and build an effective regional infrastructure, but to undertake surveys to work out what resources might be exploitable in the first place; and of course, there is an acceptance that there will be a price to pay if Chinese companies do take on the project.<sup>9</sup>

The seventh is the use of overseas factories to produce manufactured goods which are often then exported on to other markets, and their eighth is the role of independent Chinese traders and distributors operating in other developing countries. In both categories, this sort of engagement has resulted in complaints by some that Chinese actors are squeezing locals out of the market, and thus have not been universally welcomed. Ninth, while currently relatively unimportant in overall terms, a growing number of Chinese tourists which are now spreading away from traditional familiar destinations like East and Southeast Asia to places like South Africa and Egypt.

Finally, we come to the importance of Chinese exports which we can perhaps break down into China as arms supplier, China as exporter of major industrial plants and technology (including energy related technology), and China as a supplier of consumer goods – particularly textiles and low(ish) tech consumer goods. And this latter sub category, we once again often see complaints that China's gain is at the expense of local producers.

### **China, the South, and the Global Liberal Order**

The issue of arms exports brings us to one of the key reasons that interest in China's relations with the south has increased. Even though China is only probably the fourth or fifth biggest exporter in the world, and sells relatively low tech and sophistication arms (and arms related exports) its relationship with countries like Pakistan,

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<sup>9</sup> This was the topic of a seminar I chaired in Beijing of African diplomats in China in Beijing in January 2013.

Zimbabwe, Iran and Sudan has marked it out for criticism from the international community (Bitzinger, 2009). It feeds into wider concerns that China is providing an economic and political alternative for authoritarian states that means they can ignore western pressure to liberalise. From this perspective, China's engagement of the South is threatening the future of the global liberal order (Halper, 2010).

Proclaiming the death of the liberal global order (just yet) is a step too far. Nevertheless, the reality of China as 'alternative' (to the neoliberal West) does have real significance for the global order. Perhaps most clearly it has provided support for the ostracised where China is not so much an alternative to dealing with the West as the only game in town. For example, while reliable figures are somewhat elusive, what we can say with certainty is that China was the far biggest investor in Myanmar during its most isolated days. Dealing with China also provides an alternative to those who face conditional economic relations (with either other states of the international financial institutions) and/or who are vulnerable to external pressure due to their dependence on single (or a small group of) markets and/or investors. Chinese demand has also acted as a 'price booster' for economies with resources in high demand.

But dealing with China is not always a totally positive experience. There is also concern, particularly in Latin America, that dependence on the West/US as a market is simply being replaced by dependence on China instead; rather than creating south-south shared development it is creating a new form of north-south asymmetry (Vadell, 2011). Even countries that don't have significant economic relations with China can suffer through the indirect impact of Chinese demand on the price and supply of key global resources (Jenkins, 2009: 26).

To these 'macro' level implications we can add a number of more specific 'micro' ones. We have already noted complaints that Chinese producers and traders are displacing indigenous ones. And in some places negative environmental impacts have been blamed on Chinese projects – for example, deforestation in Brazil to provide more Soy beans for export to China (Gallagher, 2010: 4). To these complaints we can add poor employment conditions in some Chinese owned enterprises resulting in not only individual harm, but also political unrest (Spring, 2009: 28). The 'shallow'

impact of Chinese engagement - the reserving of (key) jobs for Chinese workers/managers rather than using local staff - is also an issue.

### **China and the South: Towards a Balance Sheet**

Writings on China and the south often start by saying that very little has been written on the topic, and that what has been written tends to be negative. The first assertion is becoming rapidly redundant, and the second never was really true. To be sure there are some rather ‘noisy’ exceptions that have garnered considerable attention (Malone, 2008; Hitchens 2008), more sober but still largely negative expressions of concern about the consequences for democracy promotion and global liberalism (Barma and Ratner, 2006; Ikenberry, 2008; Halper 2010), and even suggestions of a challenge to global peace and security (Ellis, 2005). But most of what is written based on real research and investigation (in academic outlets) tends to be rather balanced, pointing to the developmental challenges and opportunities that dealing with China can bring.

The balance between challenge and opportunity largely depends on the existing political economy of the partner country. On a very simple level, developing countries gain from trading with China if they are not in direct competition with Chinese actors – for example if the produce and export something that China imports. But competing with China has potential dangers (Kaplinsky et al, 2007; Ademola et al, 2009). So the challenge is perhaps most pronounced in countries with existing strong export industries in general, and those with similar profiles to Chinese exports (to developed states) in particular. Here, the challenge is more direct in developing East Asia and parts of Latin America than it is in much of Africa. This probably explains why in general, fear discourses of competing with China appear to be much stronger in Latin America than in Africa; indeed, it is argued that the fear in Latin America is stronger than the actual recordable and measurable impact on regional economies (with the exception of Mexico) (Jenkins and Peters, 2009).<sup>10</sup>

But even this national level analysis does not tell the full story. Within individual countries, the consequences of China’s engagement can vary from sector to sector

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<sup>10</sup> Conversely, Kaplinsky continues to argue that in Africa, the indirect threat of China related trade diversion has yet to be fully accepted in many capital cities on the continent. A point he reiterated in commenting on an early draft of this paper in December 2011.

(Brautigam 2009). For example, Gallagher and Porzecanski (2010) show that the rapid growth of Latin American exports to China has been dominated by just 10 sectors in five regional economies, while 92 per cent of the region's exports to other markets were 'under threat' from competition from China. So at the same time as some in Ghana, Zambia and elsewhere were welcoming Chinese aid and debt forgiveness, others in the same countries were complaining about labour abuses in Chinese owned enterprises or losing their jobs through competition from China (Spring, 2009).

So in thinking of the impact of China's relationship with the developing world, perhaps we should go back to Harold Lasswell's (1936) understanding of politics defined as 'who gets what, when, how'. Quite simply, the impact and implications varies across countries, sectors and even individual actors with a 'divergence in perceptions .... between economic elites who oversee the commodity exports and the majority of the population, whose professions in many cases may be negatively affected by competition from Chinese goods and expat workers' (Collins and Erikson, 2011: 4).

When it comes to Chinese actors on the ground, Chinese companies that have been operating overseas for longer have different work practices than newcomers, tending to employ more local workers in better positions (Brautigam, 2009). For Broadman (2006: 351), there is also a key difference between those Chinese actors who have single operations in another developing country, and those who try and control more of the production chain who have 'more limited spillover effects' in the host economy - for example, by buying food and raw materials and then processing them at home rather than buying already processed or semi-finished goods (Ellis, 2005: 5).

#### *A Blame Game?*

Yan and Sautman (2012) argue that China is a victim of a racist blame game in Zambia, with Chinese owned mines actually no worse in terms of safety and conditions than others. And at times (and at extremes) it can seem as if Chinese companies are the only ones doing business in authoritarian states where Western companies are entirely absent, and that Western countries have never engaged autocratic leaders. As a report into the global context of food security pointed out,

there are many other countries and private actors involved in the search for stable food stuffs, including from Europe and the US. But these tend to ‘have featured in fewer headlines in the international press’ (Cotula et al, 2009: 34) than Chinese initiatives, which tend to be discussed using the highly charged language of ‘land grabs’. Indeed, it wasn’t Chinese land purchases that led to political unrest in Madagascar and a subsequent coup, but a project run by the Korean company Daewoo Logistics. Yet it is rather rare to see Korean interests in Africa (or elsewhere) framed in terms of providing a challenge to the West.

Similarly, although Chinese traders are blamed for undercutting and ousting domestic actors in parts of Africa, Taylor and Xiao (2009) argue that there was often no domestic sector in the first place, leaving a void that Chinese traders simply filled. And we should not forget that China does not force other countries to accept its aid and trade with it at gun-point. Other developing countries have agency, and ‘local economic and political circumstances’ (Taylor, 2009: 2) are as important as the external Chinese dimension to any relationship. Phillips (2007) also reminds us of the importance of studying bilateral relations in the context of wider flows and power dynamics in the global economy as a whole (rather than just focussing on China).

As noted in the introduction, there is a frustration and a sense of injustice in Beijing that China understood as some form of ‘state project’ gets the blame for things that the state cannot control; or at least, traditional central state foreign policy bureaucracy cannot control. This is somewhat ironic as there has been a tendency in China to readily associate the actions or opinions of foreigners with some sort of national position. Witness, for example, the boycott of French products after the disruption of the Olympic torch procession through France in 2008. And if it is unfair to blame this thing called ‘China’ for what some Chinese people do, then the Chinese state is in part the cause of the confusion given the lengths that the Chinese leadership goes through at times to present itself as in control of an overarching and concerted nation effort to engage other developing countries.

## **CONCLUSIONS**

This paper has argued, then, that there is no single driver of China's relations with developing countries. The nature of China's aid related policies often make the dividing lines between state strategies and corporate interests rather blurred. So too does the way in which geo-economic concerns and the search for resource security create a particularly important role for SOEs in China's international interactions. But commercial interests and objectives of relatively autonomous economic actors are important too. Notably, the pursuit of these commercial interests can result in negative perceptions of China in other developing countries in ways that undermine the state strategy of building a preferred national image through international political marketing.

China's leaders are aware that how the country is perceived is not just a matter of reputation and prestige. A negative image can reinforce the idea of a China threat to the global order, and result in policies (and alliances) designed to counter Chinese interests. This might then prevent China from pursuing its geo-economic and commercial interests overseas. And it's notable that China's leaders have at times responded to criticism and negativity and changed tack. Perhaps most notably, China's policy in Sudan is widely thought to have been modified in response to international criticism, and the idea that China was a force for instability and conflict rather than the preferred self-identification of being a force for peace and harmony (Kleine-Ahlbrandt and Small, 2008). The increased profile that is being given to the promotion of more traditional aid to developing countries can also in part be taken as an attempt to overcome some of the criticisms of more commercially based Chinese economic activities and interests (Davies, 2010, 13).

But for some people, whatever China does or doesn't do, the die is already cast. It does not take a great insight to conclude that there is clearly something about China that marks it out for special attention, with an underlying distrust of the Chinese political system, and suspicion of China's long term international ambitions at the heart of the issue. And preconceptions about the nature of China's rise largely seem to shape the way that China's engagement of the South is received and understood. This helps explain the tendency to try and find a single (good or bad) Chinese relationship with the south to emphasise and reinforce the pre-existing position. It also perhaps helps explain why there tends to be a focus on interactions as part of a coherent state

project (either positive or negative), and why the agency of the partner developing countries is often downplayed or overlooked. And given the increased number of different Chinese actors operating overseas, then its not hard to find one or more examples to prove whatever point it is that you want to prove.

By disaggregating China into different interests and actors, and identifying multiple types of different interactions, then we conclude that managing China's national image and attaining the geostrategic objectives are constrained by the behaviour and action of Chinese actors pursuing different goals (Davies, 2010: 30). And as Gill and Reilly (2007: 37) argue, this divergence between what we might call national image promoters on one hand and profit maximisers on the other is only likely to increase in the long run. Encouraged by the success of early movers, other Chinese companies are now trying to move off-shore to find new sources of profit. While this might increase competition between different Chinese actors in some places, it is also leading to attempts to be the first movers in new locations such as the Caribbean.

So the suggestion here is that the greater the level of actual interactions between China and other developing countries, the harder it will be to maintain the idea of China as a 'different' kind of great power and a different type of global actor. The role and relative importance of foreign ministries across the world have been challenged by 'the new politics and personnel of globalisation' (Neumann, 2007; 13). As a relative latecomer to the promotion of extensive overseas economic interests, it is not surprising that the Chinese foreign policy machinery is now also facing this challenge. The more that it becomes a major global actor in this way, then perhaps the more it becomes a 'normal' actor in its interactions with the South.

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