

The Political Economy of State Business Relations in Chinese Development Cooperation in Africa

Jing Gu

Institute of Development Studies Brighton, United Kingdom

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This Working Paper series emerges from the China and Brazil in African Agriculture (CBAA) programme of the Future Agricultures Consortium. This is supported by the UK Economic and Social Research Council's 'Rising Powers and Interdependent Futures' programme (www.risingpowers.net). We expect 24 papers to be published during 2015, each linked to short videos presented by the lead authors.

The CBAA team is based in Brazil (University of Brasilia, Gertulio Vargas Foundation, and Universidade Federal do ABC), China (China Agricultural University, Beijing), Ethiopia (Ethiopian Agricultural Research Institute, Addis Ababa), Ghana (University of Ghana at Legon), Mozambique (Instituto de Estudos Sociais e Económicos, Maputo), Zimbabwe (Research and Development Trust, Harare), the UK (the Institute of Development Studies, the International Institute for Environment and Development and the Overseas Development Institute).

The team includes 25 researchers coming from a range of disciplines including development studies, economics, international relations, political science, social anthropology and sociology, but all with a commitment to cross-disciplinary working. Most papers are thus the result of collaborative research, involving people from different countries and from different backgrounds. The papers are the preliminary results of this dialogue, debate, sharing and learning.

As Working Papers they are not final products, but each has been discussed in project workshops and reviewed by other team members. At this stage, we are keen to share the results so far in order to gain feedback, and also because there is massive interest in the role of Brazil and China in Africa. Much of the commentary on such engagements are inaccurate and misleading, or presented in broad-brush generalities. Our project aimed to get behind these simplistic representations and find out what was really happening on the ground, and how this is being shaped by wider political and policy processes.

The papers fall broadly into two groups, with many overlaps. The first is a set of papers looking at the political economy context in Brazil and China. We argue that historical experiences in agriculture and poverty programmes, combine with domestic political economy dynamics, involving different political, commercial and diplomatic interests, to shape development cooperation engagements in Africa. How such narratives of agriculture and development – about for example food security, appropriate technology, policy models and so on - travel to and from Africa is important in our analysis.

The second, larger set of papers focuses on case studies of development cooperation. They take a broadly-defined 'ethnographic' stance, looking at how such engagements unfold in detail, while setting this in an understanding of the wider political economy in the particular African settings. There are, for example, major contrasts between how Brazilian and Chinese engagements unfold in Ethiopia, Ghana, Mozambique and Zimbabwe, dependant on historical experiences with economic reform, agricultural sector restructuring, aid commitments, as well as national political priorities and stances. These contrasts come out strikingly when reading across the papers.

The cases also highlight the diversity of engagements grouped under 'development cooperation' in agriculture. Some focus on state-facilitated commercial investments; others are more akin to 'aid projects', but often with a business element; some focus on building platforms for developing capacity through a range of training centres and programmes; while others are 'below-the-radar' investments in agriculture by diaspora networks in Africa. The blurring of boundaries is a common theme, as is the complex relationships between state and business interests in new configurations.

This Working Paper series is one step in our research effort and collective analysis. Work is continuing, deepening and extending the cases, but also drawing out comparative and synthetic insights from the rich material presented in this series.

Ian Scoones, Project Coordinator, Institute of Development Studies, Sussex

Abstract

The growing involvement of the Chinese state and business in Africa has generated significant debate about China's Africa strategy and its benefits for Africa's development. Chinese policymakers have become increasingly oriented toward improving African countries' agricultural productivity. This paper focuses on how state-business interactions influence agricultural development outcomes, using Zimbabwe as a country of study. It explores the question of how far the State can control business and direct development by identifying the key relationships that influence the decision-making processes of state and business actors within China and its African engagement. The paper challenges the conventional wisdom of homogenised, unitary relations, and argues that these relations are, in practice, heterogeneous, as a result of the Chinese state being disaggregated into a multiplicity of provincial relations and central state agencies, and because of tensions arising between commercial market and political interests. The active role of African governments in agricultural schemes is also affecting outcomes. The findings of a brief ethnographic analysis of four state-business schemes in Zimbabwe's agricultural sector suggest that where African agriculture is concerned, a wide range of Chinese agencies are involved, with businesses being driven by either market forces or national state interests, which together make outcomes increasingly less generalisable.

Introduction

In recent years, there has been a sustained, and at times intense, debate about the nature of the contribution made by the Chinese state and Chinese firms to Africa's development. The question of what role the Chinese state and Chinese 'state capitalism' in particular play in Africa's development has fascinated the world. There is continuing debate between those who see China's role as rapacious and even colonial, and label the Chinese-African relations as asymmetrical and unstable (Clinton 2011; Fisher 2011; Askouri 2007; Naim 2007; Zafar 2007; Tull 2006), and those who see China as a developmental role-model and Africa's relationship with China as having more benefits than harms (Diaw and Lessoua 2013; Renard 2011; Fantu and Cyril 2010; Kamwanga and Koyi 2009; Asche and Schüller 2008). In the first viewpoint, the Chinese state and Chinese national interests are central to understanding China's development role in Africa. Here, Chinese state capitalism works through intimate state-business relations; the government hand-in-hand with state-owned enterprises and, less overtly or directly, with the burgeoning Chinese private firms 'going out' to Africa. Within the second school of thought, the new relationship between the Chinese state and Chinese business has already brought significant financial and practical infrastructural, production, trade and investment benefits to many African economies.

The role and impact of the Chinese state and businesses is thus a controversial topic, with claims of 'win-win' mutual benefits offset by mounting African and international criticism. Significant question marks are raised over China's Africa policy and the benefits for Africa's sustainable development. Chinese state-business relations (SBRs) are key factors in explaining China's engagement in Africa, but our understanding of the Chinese 'state' and 'business' sectors need to move beyond the often homogenised portrait delineated above. The Chinese state's relationship with business is populated by a wide range of commercial, diplomatic and financial agencies and interests operating at multiple levels of government. Similarly, there are diverse business organisations ranging from state-owned enterprises (SOEs) to out-and-out private firms.

This paper aims to build a closer understanding of the diverse factors that influence the Chinese state-business model as it is implemented in Africa. A clearer understanding of how SBRs work is critical for a more effective implementation of national, regional and international development policies. It also aims to increase awareness of how Chinese SBRs contribute to influence policymaking perspectives on key development challenges and, in so doing, to facilitate improved leverage of Chinese international development assistance. Finally, a viable agricultural sector is critical to sustainable development in sub-Saharan Africa (SSA), and agricultural cooperation is a priority in Sino-African relations, set out since 2003 in the Forum on China-Africa Cooperation (FOCAC 2003). Under these objectives, the paper focuses on the insights that can be drawn from a closer examination of the role and significance of China's SBRs in the agricultural sectors of sub-Saharan Africa.

Four key questions are asked about Chinese SBRs:

1. How, and to what extent, are Chinese businesses in Africa regulated and constrained by Chinese state-level and provincial-level policy and strategy? How do businesses manage tensions and contradictions between these different levels of objectives and policy regulation?
2. To what extent, and with what effects, are Chinese businesses regulated and controlled by the country-specific governments and regulations in Africa?
3. What happens in terms of micro-level interactions when Chinese businesses seek to manage day-to-day business transactions? How do they navigate tensions between Chinese and African regulations and policy?
4. What are the implications of these micro-level interactions in terms of shaping and influencing the ways in which Chinese 'state-business led development' operates in practice?

This study explores these questions by going beyond conventional stereotypes to investigate how SBRs work on the ground in SSA's agriculture.

The character of 'Chinese state capitalism' in Africa is extensively debated. Increasingly there is more recognition of the diversity, disaggregation and lack of coordination between China's state and business organisations, both within China and in its African involvement. More importantly, recent debates have slowly departed from perceiving Africa as a passive recipient, emphasising the active role of governments in development schemes. Building on this work and based on author's fieldwork, this paper takes a step further by disaggregating SBRs using the agricultural sector in Zimbabwe as a case study. It briefly traces the way SBRs have been looked at in the academic literature; explains how SBRs work within China, in Africa, in African agriculture and in Zimbabwe; and concludes by returning to the main questions in the light of its findings.

State-Business Relations in China

The reform era has presided over unprecedented economic growth in modern Chinese history. Clearly, today's structures, processes and agencies of relations between the Communist Party, the state and the economy have changed fundamentally in the Reform Era. The trajectory of change saw the steady increase in managerial autonomy; separation of company ownership and management; privatisation of inefficient and loss-making firms; and eventual freedom to establish new independent enterprises. The portrait painted of this transition, the orthodox reading, is one of a coherent programme of state-led reforms with China's phenomenal growth driven by the Communist Party and state exercising central direction and control of SOEs. SBRs were thus very close. Beyond this image, however, lies a more complex reality, a more crowded and variegated arena of agencies affecting change and driving economic growth in the first two decades of reform: private farming, township enterprises, private business in cities and the Special Economic Zones, as well as regional competition (Coase and Wang 2013; Hu and Khan 1997).

The evolution of state-business relationships in China

SBRs in China have gone through five major stages:

- (1) *Pre-reform and opening up (1949-1977)*. SBRs are characterised by an inseparability of party and state and the direct administration of enterprises by government agencies.
- (2) *Reform begins (1978-1984)*. Failures of the existing SBRs are recognised and new relations established based on a limited degree of decentralisation of power and profit retention by enterprises. SOEs remain under direct state control and direction in

a planned economic system. This stage marks the beginning of institutionalised SBRs in China.

- (3) *State-business contracts (1984-1992)*. New rules allow for separation of ownership and management. Enterprises can contract with the government and their independent management rights are protected by law. SBRs are diversified further by the creation of township enterprises. SBRs are characterised by tensions between state and management, market imperfections and managerial deficiencies, and efficiency and equity.
- (4) *Constructing a modern corporate system: SOE reform (1993-2003)*. The enterprise system is defined as a system with clear ownership, specified rights and responsibility, separation of state and business and scientific management. The major breakthrough during this period is the separation of state and business. The importance of non-state-owned companies is recognised and the influence of government on business extends from SOEs to private-owned enterprises.
- (5) *Deepening reform and market-oriented SBRs (2004-present)*. SBRs are held to have entered a new phase where state-organised governance now operates as the key influence, with SBRs displaying the dual characteristics of both serving government interests and influencing the growth and development of the companies involved.

Institutional agencies

The Ministry of Commerce (MOFCOM), the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), provincial governments, private enterprises and Chambers of Commerce all frame China's SBRs. Starting with MOFCOM, this ministry has the main responsibility for policy coordination and implementation in respect to all trade-related issues. MOFCOM administrates and implements legislation on economic and trade affairs, regulating competition and managing administrative aspects of trade and investment, such as import and export regulations, coordinating with sub-state governmental tiers and engaging with international organisations and agencies.

However, the key feature in transition has been the growing significance of the provinces in SBRs. According to one recent assessment, there are approximately 100,000 sub-national SOEs and these operate in a highly variegated landscape of provincial government regulations, for example inter-provincial barriers to mergers and acquisitions (Szamoszegi and Kyle 2011:26). Donaldson's analysis of the diverse provincial development pathways illustrates these by explaining differences in Yunnan and Guizhou provinces, characterised as 'a type of outward oriented developmental state' in the case of Yunnan and a 'micro-oriented' state in the

case of Guizhou. Yunnan's provincial economy focused resources in limited geographical areas, promoting tourism in the south and pockets of the northwest, tobacco in the southwest and coal mining in various areas. Road infrastructure supported the entire plan. However, the development approach in Yunnan was not considered pro-poor. It marginalised many of the poor people by making it difficult for them to participate in the structured industries. On the other hand, Guizhou's leaders focussed on shifting rural labour (through out-of-province migration) and targeted farmers with aims of increasing their home incomes by promoting local markets and small scale industries such as rural tourism and coal mining. The 'micro-oriented' state in this way supported activities that poor people can access, particularly those requiring little formal education and technical experience (Donaldson 2013: 4).

Bremmer (2009) argues that there are four primary actors in state capitalism: national oil corporations, SOEs, privately-owned national champions, and sovereign wealth funds (SWFs). China has the second-largest number of Fortune Global 500 companies in the world, most of which are SOEs (Lin and Milhaupt 2013). These SOEs comprise a highly distinctive characteristic of Chinese state capitalism. They are organised into corporate groups under a central government agency, the SASAC. The SASAC has been described as 'the world's largest controlling shareholder,' because it holds controlling stakes in the largest and most important firms. Each company's majority shareholder, or parent company, is fully owned by the SASAC. Parent companies are contractually bound to promote the policies of the state, and are in charge of coordinating the group's activities. Often, individual corporate groups are linked through equity ownership and contractual alliances to groups in the same or in complementary industries, to business groups, or even to institutions such as universities.

As Bremmer has noted previously, a defining characteristic of state capitalism is 'the existence of close ties binding together those who govern a country and those who run its enterprises' (Bremmer 2009). This is certainly the case in China, as the Communist Party and SASAC jointly manage the personnel appointment process in a 'helical' manner. Thus, managers of 'national champions' regularly hold important positions in the Communist Party on a rotating or simultaneous basis. For this reason, as well as the strategic way in which business groups are linked to each other and government bodies, Lin and Milhaupt (2013) call the organisational structure of Chinese state capitalism a 'networked hierarchy'. The networks facilitate information flow, foster collaboration in production and policy implementation, and provide strong incentives for leaders within the system, because success in business leads to rewards in the political realm and vice versa. Thus, as Xing and Shaw (2013: 95) argue, 'Chinese state capitalism is a distinct form of state capitalism shaped and determined by its internal political reality and characterised by the active state intervention and corporative state-business relations'.

An important consideration in this respect is the importance of Chinese Chambers of Commerce (CoCs). The past decade has seen these emerge to become an important factor in China's SBRs, economic development and commercial diplomacy: 'These organisations are changing the structures by which China is governed and policy is made,' writes Fewsmith (2005: 1). In the context of privatisation, the market reform process of the Chinese economy and SBRs, CoCs play an intermediary, regulatory role between state and business (Mengfu 2005; Xiaochen 2003; Hui 2002; Heping 1993) and, as discussed below, are playing an increasing role in Chinese SBRs in Africa.

The evolving domestic state-business relationship described above will be investigated in the context of African agricultural development. How does this multiplicity of actors, this diversity, play out in practice? What roles do the diplomatic and commercial missions, the official face of the Chinese state, play? These are questions that inform the following discussion and are explored in detail in the case studies from the agriculture sector in Africa.

Chinese State Capitalism in Africa

The widespread portrait painted of China's SBRs in Africa is of state-directed, collusive behaviour. This is said to be most evident in Chinese SOEs acquiring the critical resources needed by China to sustain its economic growth and in Chinese manufacturers taking advantage of lower-cost labour to reach the burgeoning consumer demand from the emerging affluent African middle class. In this perspective, the Chinese state's role in Africa is to use a wide range of diplomatic instruments to facilitate the access and operations of Chinese business. These include the use of Chinese international development assistance (IDA) to fund development projects to be undertaken by Chinese firms (and largely, imported Chinese workers) - effectively, undisguised tied aid. Clearly, there are aspects of this portrait that are valid; the Chinese state's economic strategic priorities form a powerful directive influence for Chinese business and Chinese foreign development assistance requires, in practice, Chinese firms to do the work. From the Chinese standpoint, however, Chinese development assistance (broadly defined), SOE resources and private firm FDI all contribute significantly to African development.

The Chinese state's role vis-a-vis Chinese business in Africa is, undoubtedly, substantial; but it is contextual rather than directive in character. There are four principal dimensions. *Firstly*, the government's policy framework provides the context, authority and legitimacy for Chinese firms to go to Africa. Here the key policies are the 'Africa policy' and the 'going global' (*Zouchuqu*) policy. *Secondly*, the state has established a strong, dedicated, interlocking institutional network of agencies at home to support Chinese firms 'going out' to Africa. Together these provide not only robust practical support for businesses, but also offer demonstrable evidence of long-term

commitment and policy durability – the predictability noted by historical and institutional analysis. *Thirdly*, the Chinese state has engaged in unprecedented economic diplomacy in Africa. This has two dimensions: multilateral (pan-African) and bilateral (state-to-state) diplomacy. The former is driven through FOCAC, a dialogue and institutionalised process for cooperation established in 2000. The latter is driven by extensive tours of African states by Chinese state and Communist Party officials, as well as bilateral cooperation agreements on everything ranging from loans, guarantees and technical assistance to cultural exchanges and educational scholarships. *Fourthly*, Chinese business also benefits from the warmer relations generated by the Chinese state's wider political diplomacy evident in South-South dialogue and cooperation and in the United Nations – with China presenting itself as a leading voice of the developing world, critical of traditional donors and powers, and urging greater genuine help for African peoples.

The 'going global' strategy, a central policy, originated with the Third Plenum of the 15th Congress of the Communist Party of China in 2000. This externally-oriented policy was to run in tandem with the internally-oriented 'inviting in' (*Yinjinlai*) strategy, designed to bring in Western capital, technology and business, as the two pillars of China's opening up policy. By the third plenum of the 18th Congress in November 2013, the position of the Communist Party was that:

China should encourage firms and individuals to invest abroad. The firms and individuals should try their best to pursue international cooperation. If they can take the risk, they can go to anywhere abroad to develop business. We also encourage land investment, merger investment, securities investment and joint investment abroad. (Xinhua News 2013)

The principal institutional infrastructure for Chinese SBRs in Africa includes the Chinese State Council; a spectrum of government ministries, most notably Foreign Affairs and Commerce as well as Agriculture and Health; financial institutions such as the China Export-Import Bank; and the primary decision-making committees of the Communist Party. Specific institutional structures and processes have emerged to foster China's African relations. For example, China established eleven Chinese investment and trade promotion centres in Africa (Gu 2011). Multilateral engagement operates through the FOCAC framework. African economic development requires investment, infrastructure, skills and markets to break out of the 'raw materials in exchange for manufactures' syndrome, to have greater value-added in the African phase of global value chains and to be able to have 'ownership' of its economic development. The Chinese state has provided substantial financial support to Africa in the past 13 years of FOCAC in the form of so-called 'soft' loans (lacking the conditionality of the traditional donor system), guarantees and sovereign debt relief.

The Chinese government estimates that it has offered soft loans worth more than US\$15bn to Africa within the FOCAC framework alone. FOCAC has also provided a platform for promoting China-Africa business relations. For example, the 2007-2009 FOCAC Action Plan provided for an agreement on the 'Bilateral Facilitation and Protection of Investment and the Agreement on Avoidance of Double Taxation'; strengthening of cooperation among their respective SMEs to promote Africa's industrial development and enhance Africa's production and export capacity; and to encourage 'well-established' Chinese companies to set up three to five overseas economic and trade cooperation zones in African countries. (FOCAC 2006). Also within the FOCAC institutional infrastructure is the China-Africa Development Fund (CADFund). This was set up in 2007 to encourage and support Chinese corporate investment in Africa. By 2013, it had funded 72 projects in 30 African countries. According to Wang Yong, CADFund Vice-President, the immediate aim from 2013 onwards is to accelerate investment activities in Africa, concentrating on manufacturing (in particular, industry parks), infrastructure and agriculture 'as these sectors are more crucial in terms of increasing the capacity of economies of the African continent, which in turn benefit the Fund' (Xinhua News 2013c).

For Chinese businesses, there are useful aspects of the Chinese government's institutional support that can be drawn upon for information about Africa's investment climate, financing or even diplomatic assistance. But the principal sources of information about Africa have been through friends or networking introductions and through business' own research and trading experiences, only then followed by the Chinese central government, embassies and local Chinese community networks in Africa, and finally by Chinese local government or other local firms (Author's interviews 2011). A key challenge for effective Chinese SBRs in Africa is a perceived gap between state policy formulation and implementation, that is, between the publicly-stated national goals of China and the African states, and the actual competitive realities of business practices facing Chinese firms in Africa. There is sometimes a lack of knowledge about Africa, and another gap exists between the 'last golden land' in the imagination of entrepreneurs and the reality, which is that many firms lose. Whilst many Chinese investors are going out, many are also coming back, carrying debts with them (Gu 2011: 29). Meeting this challenge, the China-Africa Joint Chamber of Commerce and Industry was formed in 2006 and has carried out a number of activities. There have been a series of meetings, conferences and forum held over the past decade to foster business-to-business relations; indicative of these are a High-Level Dialogue between Chinese and African Leaders and Business Representatives, a Conference of Chinese and African Entrepreneurs, the China-Africa Business Forum and the China-Africa Forum on SME Cooperation as well as the rapid development of the China-Africa Business Council providing contacts, information briefings and training for Chinese firms.

Beyond the 'Conventional' Wisdom

China's presence in Africa has become highly controversial over the past decade as Chinese trade, aid and investment have flowed into Africa. Wolf et al. (2013), who examined China's SOE investment in a broader engagement portfolio, have coined the concept 'FAGIA' (foreign aid and government-sponsored investment activities) to describe China's active engagement in other developing countries, particularly for natural resources. Chinese companies have been depicted as 'new colonialists' and as 'rapacious exploiters' lacking transparency and good corporate citizenship (Fisher 2011; Zafar 2007; Tull 2006). Within this framing, the Chinese model of state capitalism has faced significant criticisms. First it has been said that China depresses its overall competitiveness by pouring money into inefficiently managed state champions. In 2012 *The Economist* noted that 'A handful [of SOEs] with privileged market access generate more than half of all profits,' arguing that, if state-owned firms were to pay market interest rates, their profits 'would be entirely wiped out.'

Another literature has pointed to the more complex and multifaceted nature of China's overseas investment by SOEs (Bräutigam and Zhang 2013; Chintu and Williamson 2013; Kaplinsky and Morris 2009). For example, in a recent article Xu Yi-Chong (2014) observes that some of the SOEs operating in Africa seem to oppose the agenda of the central Chinese state, and asks, 'why has the Party-state permitted them to become semi-independent privateers, whose activities do not always coincide with the interests of the Party-state? More importantly, since they are, after all, state-owned, what are the mechanisms and levers of control the state still has? Is it able to exert control over its SOEs, their activities and behaviour in Africa?' His conclusion suggests that it is simplistic to see China as a monolith, under the perception of a new colonialist looting African land and resources. In his words, 'Its interests are much broader and its SOEs and other players vary significantly in motivation and behaviour. For some, Africa "is a stepping stone to a commercial presence around the globe" and a place to build their reputation. For others, they work in Africa simply because "it pays" (Yi-Chong 2014: 825-826).

Other scholars have focused on showing how negative rumours are produced by conspiracy-oriented interpretations as a new metaphor for China, and are seen as embedded in a discourse of negative characteristics (Hairong and Sautman 2012). In contrast, they argue, Chinese businesses are more flexible, more pragmatic, less risk-averse and have longer horizons than their northern counterparts who emphasise 'shareholder value' and who are constrained by conditionalities such as the Paris Declaration and the Accra Accord (Chintu and Williamson 2013). This is not to say that Chinese enterprises might not display negative aspects or challenges. As Ian Taylor has perceptively noted, Chinese businesspeople might

as well be driven by capitalistic interests, translating into lack of corporate responsibility, similarly to their Western counterparts (Taylor 2009). But he sees this more as a possible outcome of China's liberalisation, rather than as a form of colonisation. Under this logic, it has become a challenge for the Chinese state to control and oversee the behaviour of all Chinese enterprises in China, which might in fact interfere with Beijing's priority to safeguard its image of 'responsible power' in Africa (Taylor 2009: 714).

The problems with the portrait offered by the conventional wisdom of state-business collusion are that: (a) SOEs, whilst still contextualised and influenced by Chinese state interests and policies, are increasingly independent and driven by the pressures of their own corporate commercial interests, needs and opportunities – they are, simply, more semi-detached from the state than hitherto was the case; (b) there are over 3,000 Chinese businesses in Africa, and although expected to register with local Chinese diplomatic missions, many of the private businesses do not do so, leaving Chinese officials unaware of their operations unless a problem arises and the firm comes asking for assistance; and (c) there are simply so many Chinese agencies and businesses now in Africa that the sheer scale defies the logistics of systematic collusive SBRs, even if the intent be present.

What is most important to note here is that businesses relations differ with the Chinese state and with the decentralised provinces. Roughly, there are (a) tightly controlled and financed companies linked to the central state; (b) provincial companies with strong involvement of the provincial state; (c) SOEs with nominal state ownership, but with increasing autonomy and commercial/profit requirements; and (d) independent companies with limited state control and no state finance.

China and Zimbabwean Agriculture

In terms of Chinese agricultural engagement in Africa, it is more about politics and international relations, rather than agriculture per se. (Chinese agricultural aid expert in Africa, Author's interview 2014)

China provides substantial technical agricultural assistance to African countries, and investment in agriculture and food production in Africa is seen as a major priority (Xiaoyun et al. 2010). As far back as the 2004-2006 Addis Ababa Action Plan, agriculture was made a priority, with China emphasising enhanced agricultural cooperation in such areas as land and water resource management, agro-infrastructure development, farming, breeding, aquaculture, food security, exchange and transfer of applied agricultural technology, skills transfer, technical assistance, manufacturing of farm machinery and processing of farm produce (FOCAC

2003). Following the Beijing Summit, China sent 104 agricultural professionals to 33 African countries, including Morocco, Mali and Uganda, and imitated the construction of 10 agricultural demonstration centres that the government committed to help African counties to develop (FOCAC 2009).

Increasingly engaging with the sustainability of development, there are initiatives for the 'greening' of China-Africa relations, with China having expressed plans to introduce biogas technology, solar power, hydro power and wind power in some of the African countries. For example, the Centre for China-Africa Agriculture and Forestry Research, established by the International Network for Bamboo and Rattan (INBAR) and Zhejiang Agriculture and Forestry University (ZAFU), aims to undertake issues such as China-Africa investment and trade policies on agriculture and forestry, the management of bamboo resources, climate change strategies and technologies, and food safety. INBAR currently has fifteen African members.

The amount of Chinese state and business activity in the sector is substantial. This includes technical and skills transfers through China-sponsored training centres; a People's Bank of China and Asian Development Bank joint seminar on rural financing; workshops on Poverty Eradication and Sustainable Development of Agriculture; and tariff exemptions for African export commodities to China. It also refers to Chinese commitment to build 100 schools, 30 hospitals and 20 agri-tech demonstration centres; dispatch 100 senior experts on agricultural technologies to 35 African countries to help their governments formulate agricultural development plans; improve seed strains; pass on applicable agricultural technologies and managerial expertise and train local technicians; and encourage Chinese businesses through financial and policy incentive schemes to develop agricultural cooperation projects in Africa.

With its long history of partnership and economic and political ties with China, Zimbabwe is an interesting and relevant country to study in terms of the role of Chinese state capitalism in Africa. Zimbabwe is also among the top four African countries for approved agricultural projects with Beijing (Bräutigam and Zhang 2013: 1683). China's relations with Zimbabwe, and specifically Robert Mugabe's Zimbabwe African National Union–Patriotic Front (ZANU-PF), go back 35 years (MOFA 2015). China provided support to ZANU-PF in its fight against White majority rule, and this relationship was quickly consolidated following victory and independence in 1980 (Taylor 2006). China has remained a partner to Zimbabwe, providing loans, guarantees and other financial supports through the post-independence years, most importantly after the European Union imposed sanctions in 2003. Whilst China's support for President Mugabe and ZANU-PF has ebbed and flowed, Zimbabwe secured a major China EXIM Bank loan in 2011. China's economic interest lies in Zimbabwean mining (such as diamonds and platinum deposits), agriculture, infrastructural

development and communications technology. According to Chinese statistics, bilateral trade between China and Zimbabwe grew to over US\$1.1bn in 2013, up from only US\$310m in 2003 when Zimbabwe adopted its 'look east' policy following international isolation. The 2013 trade figure represented an 8.5 percent increase over 2012. Zimbabwean exports were worth US\$688m and Chinese imports valued at US\$414m (Chirara and Kachembere 2014).

There are about 80 Chinese companies in Zimbabwe, with privately-owned companies alone accounting for about two-thirds of the total number. However, the relationships between business associations/networks and companies are extensive. There are seven official and informal Chinese business council/provincial association networks operating in Harare. Given the number of Chinese agencies of different provincial origin, these councils and associations are competing with each other for influence. However, an important trend in recent years is for certain business councils to become more prominent on the back of official Chinese government support and encouragement. A case in point is the Zimbabwe-China Business Council Trust, which was established to engage the government in 'creating an enabling environment for entrepreneurship' and 'enabling the imparting of good business practices to ensure that Zimbabwe China business activities contribute towards the poverty reduction and human development in both Zimbabwe and China' (TheBehaviourReport.com 2014). The case-study fieldwork showed that these increasingly powerful councils owe much of their rise to Chinese Embassy patronage. According to officials at the Chinese Embassy in Harare, regular meetings are held with business leaders through the Council to discuss issues such as corporate social responsibility. These include laws on provision of medical support to staff, and ways for businesses to establish good relations with the local people, such as through food donations (Author's interview 2014). This patronage differs from a historical loose relationship between the Embassy and the Council, and resulted from an Embassy perception that existing associations were insufficiently responsive to their policy initiatives. Within the past five years, however, the central government from Beijing has worked to strengthen such relationships, establishing alternative pathways for policy messages to be disseminated to companies more effectively. Subsequently, these newer councils act as bridges or 'half-way houses' between the Embassy and Chinese business community, helping to communicate Chinese government policies and perspectives (Author's interview 2014).

Chinese Agro-business in Zimbabwe

Chinese agro-businesses have established a robust overseas profile and infrastructure through their overseas affiliates over the last decades. A key feature of China's agribusiness is that its 'going global' is driven significantly

by China's provinces with their own provincial SASAC, rather than the central government. Here the primary agencies are state-owned farms. According to Xiuli et al. (2014) this activity is substantial, with a third of Chinese agribusinesses overseas having made investments valued around US\$3.3bn by the end of 2013.

The cases of businesses examined here focus mainly on the experiences of Chinese SBRs, and were selected so as to cover the variegated character of SBRs described in earlier sections. The companies here are all exempt from the Indigenization and Economic Empowerment Act, signed by Robert Mugabe in 2008 and put into force in 2010, establishing that henceforth 'at least fifty-one per centum of the shares of every public company and any business shall be owned by indigenous Zimbabweans' (Act 14/2007: 31a). According to interviews with the managers of the companies, the Indigenization Act has not been an impediment or constraint to them, as they have all been granted special agreements. Zimbabwean journalists have quoted state officials explaining that exemptions were given to Chinese companies, such as Tianze examined below, because 'they have been supporting our agriculture and our farmers, so we look at those things when considering whether to exempt them or not' (New Zimbabwe 2011).

Although all of these companies are exempt from the Act, each was established in Zimbabwe through different mechanisms, and they display a record of diverse relations with the government of Zimbabwe, the Chinese state, and also with other businesses in China and abroad. They have further benefited to different extents by their relations with the provincial governments. Tianze Tobacco, operating as a branch of the homonymous state-owned monopoly in China, has unsurprisingly received government support most extensively. Wanjin Company is the outcome of a joint venture between the Zimbabwean Ministry of Defence and a provincial SOE in China's Anhui Province. The China-Zimbabwe Agricultural Technology Demonstration Centre (ATDC) resulted after commitments were made by the Chinese in the FOCAC platform. The China-Africa Cotton Company is also privately-owned and finds its roots back in Shandong Province. The companies also have very different operational models, reflecting their diverse objectives and the arrangements that led to their establishment. So, Tianze and Wanjin support contract farming schemes and work with local farmers. The ATDC provides demonstrations and trainings, under the mandate of furthering development goals that it was contracted to meet, but also displays private enterprise modalities necessary to cover its operational cost. China-Africa Cotton works with local farmers and is driven by commercial interests.

With data collected during the author's fieldwork in China in 2013 and Zimbabwe in 2014, these studies provide an opportunity to explore the different types of Chinese SBRs operating in parts of sub-Saharan Africa by comparing how they negotiated their entry to the

country; the companies and institutions that became involved in this process, their networks and connections; the political or financial support they received; and the ways that such processes were completed within the Zimbabwean political, business and social systems. Across our analysis we refer back to the typology and mechanisms of Chinese SBRs, examining those as a function of their different provincial origins, state or Party sponsorship, the nature of their financing, differing ways of engaging with informal business associations and their involvements with Chinese migrant communities in Africa. This approach enables us to look across these aspects in a more systematic, grounded fashion and show what this diversity may mean in practice. The studies also provide additional understanding of the way the Zimbabwean state has engaged in negotiations under an active and committed approach.

Case 1: Zimbabwe-China Wanjin Agricultural Development Ltd – A 'Role Model' in Question

This company is a joint venture between the Anhui Provincial State FRMS Group and the Zimbabwean Ministry of Defence (MoD). In 2010 the Ministry of Defence used its bilateral relations with the Chinese government, to establish a joint farming scheme with an Anhui farm. Its objective was to support under-utilised Zimbabwean farms to improve their production. As of 2014, the venture had 50,000ha of land under cultivation. It reports more than 200 local employees (50 on contract) and 14 staff from China. On average, there are 1-2 Chinese managers and 3-5 local Zimbabwean managers on each farm. Ten staff members are from the Zimbabwean Ministry of Defence, including the Vice-Manager (holding the rank of General). The Manager, He Hongshun, commented, 'the reason we are in Zimbabwe is due to the Chinese "Going Global" policy.'¹ The company benefitted from the encouragement of the Anhui provincial government and from the financial support of the China Exim Bank: 'We mainly deal with the Anhui Provincial Government, not the central government in Beijing,' the manager observed. The company also benefitted from a strong network of Chinese construction and manufacturing services companies from Anhui province that had moved to Zimbabwe during the previous ten years.

However, the manager also emphasised that the venture would not have succeeded had it not been under the aegis of the MoD in Zimbabwe. This is mainly because without leveraging its linkages to the Zimbabwean state, the company would have been challenged to develop linkages with local farms. He also admitted that in this process, 'entrepreneurial spirit and good communication with the local community [were] very important; for example, we helped the local community to dig a well and build a road.'² Profit and positive social impacts are regarded as two of the most important factors for the company. 'But only profits should come first, this can then yield good social impact,' he noted. Wanjin Company,

in other words, still operates as a private profit-making entity. The manager repeatedly praised the successes of the company, claiming that the company has achieved profits also furthering the development goals of its home province, Anhui. This emphasis on the linkages with the province and, equally, on the successes of the company could potentially manifest ambitions of promotion to home-based positions. Contrary to this emphasis on profits by the Zimbabwe-based manager, the Deputy General Manager of Anhui Provincial State Farms Group (APSG) and Chairman of Wanjin based in Anhui Province, Chen Jun, emphasises developmental objectives. When he was interviewed by the China Daily, he explained that agricultural development requires long-term planning and sustainable practices.

We do not expect our investment in Zimbabwe to yield immediate returns. The real focus for our company is technology transfer and skills enhancement; factors critical for the long-term success of agriculture in Zimbabwe. Our primary task is to train as many local agricultural technicians as possible, as science and technology hold the key to better results. (China Daily, 2014)

As the provinces compete to attract praise and attention from the central government in China, reflecting leadership ambition for promotion into the Chinese state machinery, it is not strange that Anhui provincial leaders emphasise the positive impact of the developmental aspect of the project, as prioritised by the central government. Nor is it surprising that the manager of the company emphasised instead the business success of the joint scheme. Managers of Chinese companies may also be motivated by personal ambition for future promotion by the Chinese government. Asked if he planned to stay in Zimbabwe, the manager answered that he wanted to go back to China. Zimbabwe was not regarded as home, but as a foreign land where life was ample with hardships encapsulated in the Chinese maxim '*chi ku*' ('eat bitterness').

Opinions about Wanjin's effectiveness vary. Vice-Chancellor of Chinhoyi University of Technology David Jambgwa has stated that 'The Wanjin project is a good role model for the Zimbabwean agricultural sector' (China Daily, 2014). This seems to be validated in the testimonies of several farmers who suggested that had the company not operated, they would have been unable to afford the necessary inputs for cultivation of all the acreage in their possession³. An expert from another company has challenged this rosy picture, however, saying that 'it is all lies and self-boasting. We all know that it is difficult for foreigners to make a profit by farming in a short period in Zimbabwe. They only use the farming as a project to boost their image in order to bring other Chinese firms here.'⁴

Case 2: China-Zimbabwe Agricultural Technology Demonstration Centre – A 'Gilded Signboard'

The China-Zimbabwe Agricultural Technology Demonstration Centre is part of the China-Africa development agreement to establish China-Africa Agricultural Technology Demonstration Centres (ATDCs) across Africa. This agreement followed up President Hu's pledge to FOCAC 2006, noted earlier, and Premier Wen Jiabao's further pledge to FOCAC 2009 to construct up to 25 ATDCs. These schemes have been agreed as a practical means for China to provide agricultural development support (technology and equipment) in a sustainable way to different African partners (Xiuli et al., this issue). ATDCs are run by Chinese companies after being selected through a competitive tender system in China. Although these companies are financially supported by the Chinese state during the first years of operation, they are expected to seek out ways to earn income and become self-financing. They are also encouraged to investigate other business opportunities (Brautigam and Zhang 2013).

The China-Zimbabwe Agricultural Technology Demonstration Centre was opened in 2012, and is located in Gwebi Agricultural College. The Centre's managers are mainly from State-owned farms in Heilong Jiang Province. They do not have close contact with the local Chinese Association or networks in Zimbabwe. Initially, when the company arrived to the country, it received the support of the Zimbabwean Ministry of Agriculture, which attended the opening ceremony. According to ATDC staff, 'The company uses the Centre's name when it performs the function of public services, and adopts the company's name when it conducts commercial operations.'⁵ Commercial activities have included selling farm machinery and farm products and providing ploughing or on-farm services to local farmers.

Two of the managers previously worked in a state-owned farm in China, which clearly operated under a different model. As one explained:

The fundamental problem with the ATDC is that the operating company has not been integrated or hung together with the Centre; it is the systemic failure of Chinese agriculture development assistance, one cannot simply extend the domestic institutions to Africa. Putting Chinese 'parts' in African governmental and society machine cannot improve the efficiency of the machine.⁶

The ATDCs are important platforms for Chinese business engagements, as seen in Zimbabwe and in Mozambique (see below). They are supported by the Chinese state through MOFCOM in their start-up

phase, but given their multiple objectives, there remain challenges, and many are finding it tough to operate purely on a commercial basis (Xiuli et al, this issue).

Case 3: Tianze Tobacco Ltd – ‘Business is Business’

Tianze Tobacco Ltd. is an SOE from Yunnan Province operating in Zimbabwe. It is a subsidiary of China Tobacco, the Chinese state-owned monopoly that produces the world’s largest number of cigarettes with roughly 2.4 trillion cigarettes sold per annum. Most of these cigarette sales are in the Chinese domestic market. According to Zimbabwe’s Tobacco Industry and Marketing Board, some 58 percent of the Zimbabwean tobacco exports went to China during the first quarter of 2015, worth US\$167.7m (Southern Times 2015). Buyers for the Chinese market were more discerning in their preference for top grades, for which they paid premium prices. Exports to that Chinese market accounted for 54.2 percent by value (TIMB, 2014). Historically, Yunnan has been very close to the centre. Since the reform era, the province has implemented development policies reflecting the priorities of the central government, orienting mainly toward economic growth through infrastructural development (Donaldson 2013: 7).

Since its coming to Zimbabwe in 2005, Tianze has received support from the central Chinese government, which contributed to its quick rise. As the general manager confirmed, ‘Tianze’s ability to succeed in a relatively short period mainly benefitted from the Chinese market and financial support from the Exim Bank.’⁷ This support enabled the company to become competitive in Zimbabwe’s tobacco sector in a relatively short time. Zimbabwean state officials have been quoted explaining that exemptions were given to Chinese companies because ‘they have been supporting our agriculture and our farmers, so we look at those things when considering whether to exempt them or not’ (New Zimbabwe 2011).

These propitious conditions have influenced the performance of the company. Tianze’s local manager expressed no incentive to increase profits, reflecting the conditions in many SOEs: ‘It makes no difference to me if I make one dollar profit or one million dollar profit, because my salary is always the same.’

The company has 88 local workers and ten Chinese staff. The general manager, Li, said that he was impressed by the general quality of Zimbabwean workers. Tianze has good relations with its local farmers. ‘They (Tianze staff) help me build up the farm bit-by-bit every year. If they had left me, I could not have done anything and I would have not survived,’ a local farmer told Xinhua on his farm in Mashonaland (New Zimbabwe.Com News 2014). Another farmer referred to by Xinhua chose Tianze

because of better service: ‘I can visit the headquarters of Tianze and talk with Chinese managers, I can also get technical assistance from the company, such as on agronomy and curing, and these technologies are useful. Without the help of the company, I can’t grow tobacco.’⁸

Tianze seems therefore to have established positive relationships with both the Zimbabwean government and the local farmers. The company also gained from the close relationships between the Chinese central state and Yunnan Province, and the strategic significance of the state-owned parent company.

Case 4: The China Africa Cotton (CAC) Company in Zimbabwe

China Africa Cotton (CAC) is a privately-owned company established as a joint venture between Qingdao Ruichang Cotton Industrial Co, China-Africa Development (CAD) Fund and Qingdao Fuhui Textile Co. in 2008. The company now directly employs more than 3,000 people across Africa and has over 200,000 farmers supplying its cotton. Its profits hit US\$6.5m by 2013. It began operations in Zimbabwe in 2013 and in Sofala Province in Mozambique in 2009. At US\$60m, CAD’s investment in the enterprise has been significant. In an interview with China Daily, Zhao Jianping, Assistant General Manager at the China Development Bank, argued that this ‘company-plus-farmer model’ is excellent for promoting sustainable development in Africa: ‘It not only brings technological support to Africa, but also introduces management experiences that help improve local economies.’ (China Daily 2014).

CAC is now the second-largest cotton processing company in Zimbabwe, after the local State-owned company. In Zimbabwe, it is working with more than 29,000 contract farmers (out of the 200,000 among all companies) and commands the second largest share of the business among all registered cotton merchants in Zimbabwe.⁹ The company benefited a great deal from its previously established networks in Shandong Province. The current owner and the manager come from the same city – Qingdao – and both accumulated management knowledge and skills while running SOEs at home. The current owner afterwards established his own company in various parts of Africa, while the current manager in Zimbabwe previously managed a large textiles company in Zambia, the China-Zambia Mulungushi textiles company. He was hired by the China-Africa Cotton Company owner to manage the Zimbabwe operation in 2013.

CAC has also benefited from its networks at home in terms of its day-to-day operations. Because the company has had access to funding from the CAD Fund, it has been able to charge lower interest rates to cotton farmers in both countries, increasing its competitiveness against

other, including local, companies. The package offered by CAC also includes larger quantities of fertiliser and provision of first inputs early in the farming process.

CAC in Zimbabwe did not have close relationships with the local Chinese embassy, despite being a member of the China-Africa Business Council. Instead CAC has built on provincial support from Shandong, financing from the CADFund, as well its senior staff's long experience in Africa.

Conclusions

This study demonstrates that the conventional wisdom of collusive state-business relations is misleading. Chinese SBRs are more complex. There is a proliferation of Chinese agencies in Africa acting independently or, depending upon ownership, semi-independently of the Chinese state. Driven by market pressures and the intensifying exposure to globalisation, Chinese firms (both state-owned and private) principally operate to their own commercial priorities – government and Party ownerships, policies and structures notwithstanding.

Consequently, an important finding of this grounded research is the need, analytically and in terms of policy practice, to shift focus beyond the level of the state. This confirms a finding of earlier research on China-Africa business relations (Gu 2009). As mentioned in the last section, a key feature of China's agribusiness is that its 'going global' is driven significantly by China's provinces with their own provincial SASAC, rather than the central government. Tianze from Yunnan Province has developed excellent relations with local Zimbabwean tobacco producers. It happened to benefit from a good provincial government–company relationship. However, its state ownership was a brake on the entrepreneurial spirit of its managers. A Qingdao private cotton company was supported by Chinese state subsidies, while it nonetheless had to conform to Zimbabwean regulations to assist local farmers if it was to acquire local cotton. This showed how each Chinese company had to negotiate local conditions independently to survive economically.

One of the important findings of the fieldwork research for this study is that a source of difficulty in China's engagement with African development is that the implementation of Chinese State policy is not consistent. This is as a result of a proliferation of Chinese agencies acting independently of one another, although all are ultimately a part of the Chinese state. This leaves policy lagging behind, for instance with respect to the development of a doctrine and practice of state–private sector relations. For instance, salary policy in one provincial company may be a brake on entrepreneurial energy, while a Chinese state subsidy may, in another case, give a Chinese company an unusual competitive advantage. This is a key challenge not just for Africa, but for the Chinese themselves.

The field research in China and Africa also highlights a problem in the implementation of the Chinese central government's policy. Whilst at the central level there is strong enthusiasm and a great deal of emphasis is placed on China-Africa relations, this does not mean that it translates into efficient agricultural development assistance. The ATDCs are chosen and controlled by the central state in China, but the ATDC in Zimbabwe, for one, has not worked so well because Chinese agricultural models were not easily transferable to Africa and the ATDC was not able to realise the objective to become commercially self-financing.

The Chinese state itself is changing, adapting both to globalisation and the inexorable logic of its own market-oriented reforms. Within the contextual governance of Chinese SBRs in Africa, state policy lags behind, thereby creating a problem in the implementation of the Chinese central government's policies. Consequently, despite the conventional wisdom of a collusive Chinese SBRs, in the African context, at least, many Chinese agricultural enterprises do not have much knowledge or understanding of the state's policies relating to 'going global' and investing in Africa. Here business associations, notably the China-Africa Business Association, have started to step in, providing better quality information, training and advice to Chinese firms heading for Africa. The fundamental problem remains, however, that there has not yet developed a fully worked out relationship between the Chinese business and public sectors.

The analysis suggests that the conventional wisdom of a homogenised SBR driven by the Chinese central government is, at best, a partial picture. The central point about Chinese overall involvement in Africa, and in African agriculture, is that it is driven less by the government in Beijing and much more by the needs of China's provincial governments. What is important to understand here is that the centre and provinces might envision the role of the private sector according to diverse conceptualisations of and engagement with 'state capitalism' (for example, see Donaldson 2013). In addition, companies might behave differently in foreign markets, a function of factors such as their dependence on Chinese state financing (and thus, influence by state interests), their own profit-making goals and their level of competitiveness abroad. This paper serves as a rich empirical source for the investigation of the ways in which Chinese SBRs operate in practice in Africa, for our understanding of China's developmental role in Africa and for our understanding of the wider questions, issues and debates surrounding the nature and significance of Chinese SBRs.

In summary, it is important to keep in mind that the Chinese 'state' does not exist in a unitary form or position, and that in fact 'the state' takes on many forms given the way Chinese provincial and local authority and business is organised. In this hydra-headed condition, business plays out in different ways. This depends on the

investment, the timeframe and the type of actor involved. Critically for our closer understanding of China's SBRs, not all are standard, Party-driven, centralised SOEs, but a multiplicity of actors. If China is not a homogenised bloc, it is also important to remind ourselves that Africa is not silent, passive or impotent, but has active agency. We have seen that the survival of a provincial Chinese tobacco company and of a private Chinese cotton company in Zimbabwe depended very significantly on the different forms of positive synergy with local African conditions. Much of this success is informal, unplanned, negotiated, decentralised, uncoordinated and run through highly diversified routes, including business associations, migrant networks and a range of provincial level companies and enterprises. All have 'the state' embedded in them as part of their relationships but in different ways and to varying degree, adding to the complexity and contingency in explaining China-Africa relations on the ground in key sectors such as agriculture.

End Notes

- 1 Author interview. Wanjin Agricultural Development Ltd. General Manager, Harare, Zimbabwe, 7 May 2014.
- 2 Author interview. Wanjin Agricultural Development Ltd. General Manager, Harare, Zimbabwe, 7 May 2014.
- 3 Author interview. Farmer, Harare, Zimbabwe, 9 May 2014.
- 4 Author interview. Company Executive, Harare, Zimbabwe, 9 May 2014.
- 5 Author interview. ATDC Manager, Harare, Zimbabwe, 8 May 2014
- 6 Author interview. ATDC Manager, Harare, Zimbabwe, 9 May 2014.
- 7 Author interview. Tianze Tobacco Ltd. Manager, Harare, Zimbabwe, 7 May 2014.
- 8 Author interview. Ms Moyo, a 51-year-old newly resettled farmer and head of household of six, Harare, Zimbabwe, May 2014
- 9 Author interview. Zimbabwe Cotton Growers Association Executive, Harare, Zimbabwe, May 2014.

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