The Understanding and Practice of Development in China and the European Union

Frauke Urban, Giles Mohan and Yanbing Zhang
September 2011
The Understanding and Practice of Development in China and the European Union

Frauke Urban, Giles Mohan and Yanbing Zhang

Summary

The role of China in international development rose to prominence from around 2005 as it became clear that a new wave of Chinese actors was engaging in public and private activities in the global South. This has implications for low income countries for which China may offer an alternative model of partnership and development. It further has implications for the policies and practices of international aid and the relationships between China and established donors. Failure to understand and engage constructively with these implications of China’s rise could mean missing a crucial opportunity to reverse the fortunes of countries in the global South.

This paper is the first of a two-part series on China as a Rising Power and what this means for low income countries and the international development community. This paper emerged out of the ESRC-funded project ‘China as the new ‘shaper’ of global development’, ESRC Grant Reference: RES-075-25-0019. The paper explores the different understandings and practices of development in China and the European Union. The paper reflects on differences and similarities between the old and the new powers in relation to international development, aid and the interests, actors, policies and practices involved.

Keywords: China; Rising Powers; European Union; international development; aid.

Frauke Urban is Research Fellow in Climate Change and Development at the Institute of Development Studies IDS, UK

Giles Mohan is Professor of International Development at the Open University, UK.

Yanbing Zhang is Assistant Professor at the School of Public Policy and Management, Tsinghua University, China.
Contents

Summary, keywords, author notes 3
Acknowledgements 4
Introduction 5

1 Approaches to development in the EU and China 6
   1.1 A brief history of development studies 6
   1.2 Development approaches from the Western perspective 7
   1.3 Development approaches from the Chinese perspective 9

2 Development discourses in the EU and China 12
   2.1 Development discourses in the EU 12
   2.2 Development discourses in China 13
   2.3 Development discourses on China and Africa 16

3 Interests, actors, policies and processes 19
   3.1 Interests: economic growth, demand for natural resources and energy security 19
   3.2 Who are the actors? 21

4 Conclusion 23

References 24

Tables
Table 3.1 Growth stages of Chinese companies in Africa 21

Acknowledgements

The authors would like to thank the UK’s Economics and Social Research Council ESRC for funding the project ‘China as the new ‘shaper’ of global development’ under their Rising Powers Framework Programme (ESRC Ref: RES-075-25-0019). The authors would like to thank Dr Sarah Cook, Dr Alemayehu Geda and Dr Wang Yu for their involvement in the project. The authors are grateful to the participants of three workshops in Beijing, London and Brighton for fruitful discussions and presentations.
**Introduction**

If one day China should change her colour and turn into a superpower, if she too should play the tyrant in the world, and everywhere subject others to her bullying, aggression and exploitation, the people of the world should identify her as social-imperialism, expose it, oppose it and work together with the Chinese people to overthrow it.

Deng Xiaoping’s speech at the special session of the UN General Assembly, 1974

For most Sub-Saharan African fragile countries, Europe is the main donor, trading partner and source of foreign investments and a relevant migrant destination. And the EU is an important political, diplomatic and economic bloc. Still, Europe cannot forget that fragility often has its roots in colonisation and decolonisation processes, at times magnified by the irresponsible practices of foreign companies and the illicit and criminal trafficking to and from Europe.

European Report on Development (2009: 2)

The Rising Powers project China as the new ‘shaper’ of global development aims to enhance our current understanding of China’s rise as a global development actor and the implications for low income countries and the international development community more broadly. China hosts one fifth of the world’s population. It has a rapidly growing economy and significant political power. The emergence of China as a major player on the world stage challenges the pre-existing dominance of the OECD countries and will continue to be a crucial force for global change in coming decades.

Critically, questions of well-being, equity and sustainability and the pace and significance of China’s rise have direct implications for low income countries (LICs) and indirect implications in terms of changing the architecture of international aid. For LICs, China may offer an alternative model of partnership and development, but the outcomes will in turn affect China’s relations with traditional donors (Woods 2008). Failure to understand and engage constructively with these implications of China’s rise could mean missing a crucial opportunity to reverse the fortunes of countries in the global South. We know that China’s rise affects at a quite generalised level the competitiveness, governance and well-being of countries and populations particularly in Africa and South East Asia and that the externalities of China’s growth have implications for the environment, resource use, security and global public goods. Yet we lack a fine-grained analysis of the understanding and narratives around development in China and how this relates to the understanding around development for traditional ‘development actors’ such as the European Union (EU) and LICs.

This paper is intended as a summary of the state of knowledge on China’s understandings and practices of development and is structured as follows: Part 2 elaborates the history and the different approaches to development in China and the European Union; Part 3 assesses the different discourses around development and Part 4 outlines the actors and interests involved as well as the practices, policies and processes. This has the aim of deepening our assessment of how China understands development in comparison to the EU, and to help us understand how and why China acts as an agent of global development, and the implications for LICs and for the international development community more broadly.
1. Approaches to development in the EU and China

In this section we start by analysing development discourses at their most abstract and general to trace the ideological and ethical underpinnings of the more concrete policies and practices.

1.1 A brief history of development studies

For centuries, humans have been concerned about economic development and social transformation. However the ‘birth’ of development studies is often proclaimed to have happened in the late 1940s, 1950s and early 1960s. Development studies started out as a post-World War II project of post-imperial intentional intervention in support of poorer ‘developing countries’. ‘Development’ was driven by ‘developed’ Western / Northern countries and as such has often been accused of paternalism and trusteeship (Cowen and Shenton 1996). Back in the 1950s, development policy was dominated by the universal goal of achieving modernity, by an optimist worldview, by expecting the state to play an active and positive role and by focussing on national development (Humphrey 2007).

With global neo-liberalism states became seen as part of the problem rather than part of the solution (Humphrey, 2007), which was exacerbated by various transboundary phenomena. Things like the global financial crisis, terrorism and large-scale environmental problems such as climate change are seen to require international and multilateral solutions, meaning that the national state is not the centre of analysis any longer and plays a new role in development. One other major shift in development policy and practice relates to the ‘Rising Powers’: the rise of countries like China, India, Brazil, South Africa and states of the Middle East. Today China is a major player in both an economic and political sense and increasingly has a global impact, such as in low income countries in Africa, Asia and Latin America. The question that we hope to illuminate in this paper is how China, as the most rapidly developing and most influential country of the Rising Powers, understands and influences development policy and practice and whether and how this is different to the Western approach to development?.

Part of this rise of new powers is a questioning of dominant ‘western’ approaches to development. As Humphrey (2007: 16) notes 'Western modernity is no longer uncritically viewed as the future of developing countries'. The optimism of earlier decades has been replaced by a dose of pessimism, not least when development was declared dead in the 1990s by both the political right and the political left (Hart 2001). In the early 1990s, Sachs wrote that ‘The idea of development stands like a ruin in the intellectual landscape. Delusion and disappointment, failures and crimes have been the steady companions of development and they tell a common story: it did not work.’ (Sachs 1992: 1 in Kothari and Minogue 2002: 3). Fifteen years later, Rist argued that development as perceived and practiced by the West is ‘toxic’ (Rist 2007). In many development institutes today, the notion of ‘Reimagining Development’ is prevailing as a need to rethink what development policy and practice means today, who is driving it and for whom, particularly with view of what will happen post-2015 after the Millennium Development Goals.

Rather than getting into these debates about whether development is ‘good’ or ‘bad’ we propose a general theoretical approach to help us consider the relationship between what we might term formal development (e.g. aid) and development as a deeper process of change (e.g. capitalism). Gillian Hart (2001: 650) makes a distinction between D and d development whereby big D’ Development (is) defined as a post-second world war project of
intervention in the ‘third world’ that emerged in the context of decolonisation and the cold war, and ‘little d’ development or the development of capitalism as a geographically uneven, profoundly contradictory set of historical processes.

This forces us to consider how global capitalism must be actively ‘created and constantly reworked’ (ibid.) – a non-deterministic quest for hegemony. This involves exchanges as opposed to the naked enforcement of hegemony by an ‘external’ actor, which rests on the belief that development is a ‘sort of mixing, syncretism and cross-fertilization rather than a crude mimicry or replication’ (Watts 2003: 23). It is important, therefore, to discuss how China’s sense of development and modernity works in relation to multiple other understandings of development be they European, African etc and how these become ‘mixed’ up in Watts’ terms. We accept that China’s take on D-development is not about decolonisation, but the general point is that all development actors use ‘hard’ (i.e. d-development) and ‘soft’ (e.g. D-development aid) power.

Within this the relationship between power and knowledge is a form of governmentality which refers to ‘the emergence of particular regimes of truth concerning the conduct of conduct’ (Rose 1999: 21, in Watts 2003: 13–14). In practice, this means analysing ‘the rationalities of rules, the forms of knowledge and expertise they construct, and the specific and contingent assemblages of practices, materials, agents and techniques through which these rationalities operate to produce governable subjects’ (Hart 2004: 92). Recent work extends the concept of governmentality to examine international NGOs and multilateral agencies, and the intersection of different spaces of governmentality (see Ferguson and Gupta 2002; Watts 2003). Hence, knowledge about development and its practical application feeds into the institutions and practices of development.

1.2 Development approaches from the Western perspective

There are various approaches to development thinking in the West and the EU, such as rights-based approaches, human development approaches, approaches which are based on concerns for the ‘bottom billion’ (Collier 2007), approaches which come from different disciplines such as anthropology, economics, political science and different perspectives such as gender, globalisation and the environment. We will here focus briefly on two approaches which are central to many European approaches and which seem to be particularly interesting compared to Chinese perspectives on development.

The rights-based approach to development

The rights-based development (RBD) agenda has risen to prominence in parallel with the emergence of social development notions of participation and entitlements that challenged the ‘technical fix’ development paradigm of the 1950s and 1960s and the delivery of basic needs in the 1970s (Mohan and Holland 2001). At the root of RBD is a liberal belief that development is a matter of personal choice and effort, but that this is tempered by the prevailing social and political conditions (DFID 2000; Maxwell 1999; UNDP 2000). It also adds a strong action-orientation, in that people now have a claim or entitlement on other people and institutions which, if it is socially-accepted or legally-defined, gives people a minimum level of expected well-being. The rights-based approach is described by Uvin as ‘the only approach that contains the potential to provide necessary changes in current development practice’ (Uvin 2004: 178 in Piron 2005: 19). According to Pratt, rights-based approaches are ‘in favour of equitable development, involving widespread participation of those with no direct control of, or access to, the power of the state’ (Pratt 2003: 2 in Piron 2005: 19). Often the focus of rights-based approaches is realising human rights and/or increasing the voice of marginalised groups or grassroots initiatives. One of the confusions
over the universality of rights is that they are viewed as ‘Western’ constructs and their liberal individualism is seen as inimical to non-Western forms of sociality.

Linked to the RBD is a concern with participation (Hickey and Mohan 2005). In its current, mainstreamed and ‘populist’ form, the ‘participation in development’ approach asserts the importance of placing local realities at the heart of development interventions, and of the need to transform agents of development from being directive ‘experts’ to ‘facilitators’ of local knowledge and capabilities (e.g. Chambers 1983). However, this mission has faced a series of critiques, particularly regarding the apparent failure of participatory approaches to engage with the issues of power and politics raised by its language of ‘empowerment’. The key arguments against participatory development include an obsession with the ‘local’ as opposed to wider structures of injustice and oppression (Mohan 2001; Mohan and Stokke 2000); an insufficiently sophisticated understanding of how power operates and is constituted and thus of how empowerment may occur (e.g. Mosse 1994; Kothari 2001); an inadequate understanding of the role of structure and agency in social change (Cleaver 1999); and, partly as a result of the mainstreaming of participation, a tendency for certain agents of participatory development to treat participation as a technical method of project work rather than as a political methodology of empowerment (Carmen 1996; Cleaver 1999; Rahman 1995)

With regard to rights and rights-based approaches, Perry highlights that ‘for over two millennia, Chinese political thought, policy and protest have assigned central priority to the attainment of socioeconomic security. As a result, the meaning of ‘rights’ in Chinese political discourse differs significantly from the Anglo-American [and the European] tradition’ (Perry 2008: 37). The European and American focus is often on human rights, individual freedom and development through the enlargement of citizenship rights. Alternatively, one strand of development thinking and practice in China is linked to the ‘Mandate of Heaven’ which urges rulers to guarantee the subsistence and socioeconomic development of the people, particularly the peasants. This thinking has been prevailing in Chinese society since Confucius (six-fifth century BC) and Mencius (fourth-third century BC). According to Perry ‘Chairman Mao’s successors – Deng Xiaoping, Jiang Zemin, Hu Jintao and Wen Jiabao – have all emphasized economic development, and especially poverty alleviation for the hard-pressed peasantry as a cornerstone of their claim for political legitimacy’ (Perry 2008: 41). As such development focused on rights-based approaches such as considered in the West is rather different from the approaches pursued in China which are less about individual rights and more about social equity, securing livelihoods and increasing the overall wealth of the nation. However, a key task to is to unpack these public discourses and also to compare them with the realities of development on the ground.

The human development approach

The 1990s saw the rise of a new development paradigm: human development. Haq (1995) and Jolly (2003) argue that a new approach to development is needed which needs to incorporate broader objectives than just economic ones and needs to expand human choices and strengthen human capabilities. This includes education, health, income and ensuring human rights and inclusive democracy. The human development paradigm challenges neo-liberalism and emphasises the need for equality and redistributive policies (Jolly 2003). The human development approach is being adopted not only in Europe, but on a global scale due to its endorsement by the United Nations.

There might be some similarities between this approach and the Chinese approach to development, such as the emphasis on equality and redistributive policies. In 2002, Jiang Zemin made the pledge to establish an ‘economically comfortable society’ by 2020 with the goal that every Chinese should have a GDP per capita of at least $800 per year (Perry, 2008). Despite these similarities, there are also major differences between the Western
human development approach and the Chinese approach to development. The Chinese approach to development is less about the individual and increasing the choices and capabilities of individuals, but rather about the collective good and the ‘harmonious society’ for all. Again, such discourses need to be critically interrogated given that such inclusive discourses are often used by states across the world to conceal internal inequalities.

1.3 Development approaches from the Chinese perspective

As we have noted development is essentially a western concept and the field of development studies is an academic branch of western political economy. Generally speaking, political economy, although it has been divided into different academic disciplines like politics, economics, sociology and international relations since the late 19th century, is about ‘the west’ and development studies is about ‘the rest’. There is no non-western political economy and no non-western development studies. For example, when the term political economy is used in China, it does not mean China has its own particular theories and concepts of political economy and development. Rather it refers to how China’s politics, economy and their interaction are viewed within the discourse of western political economy or development studies. Of course, China used to have its own ideologies and institutions for organizing social, political and economic life, such as Confucianism and the Imperial Examination System (Keju). But they have been abandoned, sometimes radically and sometimes gradually, as a response to the impact of the west from the beginning of the 20th century.

The key point arising from this Western-centred view of intellectual development is that at the moment China does not really have its own particular understanding of development that is independent from western ideas, although it may often be expressed in an ambiguous way in the Chinese discourse. Meanwhile, China is certainly trying to develop some ideas that could be classified as its own, but it seems there is still a long way to go. To have western ideas in mind also does not imply China shares the west’s current understandings of development in general and international development issues in particular. In order to understand this point, we need to have a brief historical review of how the concept of development has been injected into the Chinese ideological context and how it has changed over time. We can divide this complicated historical process into two parts.

The acceptance of the modern idea of progress, revolution and universalism

As with the west, the world view of traditional China was neither progressive nor developmental. The Confucian teaching is essentially about how to manage a society that is in decline. The good society is in the past and there is no better future waiting for human beings. Taoism basically believes society is static and what humans need to do is to follow the natural order rather than change it. The imported Buddhist model argues human life is in a circle and this also influenced traditional Chinese social-political thought, for example, the idea of dynastic circles. In short, there was no idea of progress or development in China’s traditional thought. But it has to be highlighted that Confucianism, as the dominant traditional Chinese political ideology, does encourage the elite class to take a positive view of society. As Confucius stressed in Analects, ‘we know ideal society cannot be achieved in practice, but it is our social responsibility to try our best in this life to work for the ideal society’. This kind of philosophy has artfully merged with the modern idea of progress and development, particularly Marxism which promises a heaven on this side of our coffin.

Although Chinese society gradually changed after the Opium War in the 1840s, it was China’s defeat in the Sino-Japanese War in 1895 that speeded up the modernization process of China’s ideological context. In 1964, Benjamin Schwartz published a book that recorded a key figure in this process, titled In search of wealth and power: Yen Fu and the West. Yen Fu translated the writings of Adam Smith, John Stuart Mill, Darwin and Herbert
Spencer into Chinese. If Yen had successfully put the idea of progress and evolution into the Chinese ideological context, Schwartz was equally successful in grasping the nature of modern Chinese thought since its beginning, namely the search for wealth and power. We can clearly find that in Deng Xiaoping’s famous Southern Tour in 1992, he stressed this principle again as the ‘Three Benefits Theories’ to guide China’s policies. Namely development should improve the productive forces of the socialist society, the comprehensive capacity of the state and people’s living standard. The contemporary China is still largely on the road designed by Deng Xiaoping 20 years ago.

Obviously, between Yen Fu and Deng Xiaoping, there had been a lot of important figures who had shaped China’s ideological and practical context, for example, Liang Qichao, Sun Yat-sen, Chen Duxiu and Mao Zedong. There is no space to discuss their ideas fully, but we certainly can find an historical continuity of ideological formation. After the idea of progress and evolution was introduced to China by Yen Fu, the idea of revolution and nationalism was subsequently brought into the Chinese context by Liang Qichao and Sun Yat-sen. Revolution, as a way to achieve progress and social transformation through regime changing, was a modern western imaginary. In fact, in the pre-modern western ideological context, revolution only meant regime changing and had no meaning of progress at all. It was the British ‘Glorious Revolution’ and French Revolution politically, Industrial Revolution economically and Bourgeois Revolution socially that worked together in putting the meaning of progress into the conception of revolution.

Once the ideas of progress and revolution came to China, they were soon put into practice and essentially dominated the political context of China in the 20th century. The Revolution of 1911 led by Sun Yat-sen overthrew the Qing Dynasty and established the Republic of China. But both Sun and a group of young radical intellectuals did not believe this revolution had brought positive changes to China. This group of young intellectuals, including Chen Duxiu, the founder of the Chinese Communist Party (CCP), launched the New Culture Movement (1915–1920) to modernize Chinese literature and thought. During this period, the Russian Revolution occurred and this revolution, and the Marxism it advocated, brought new hope to Chinese political elites. Sun Yat-sen reformed his Nationalist Party in the Leninist Vanguard Party type and Chen Duxiu established the CCP with the help of the Soviets. Two parties worked together to launch a new revolution (1924–1927) in order to change China completely. Sun Yat-sen died in 1925 and in his will, he stated ‘China’s revolution has not been successful and comrades should keep trying’.

The Nationalist Party and the CCP split up in 1927. In the CCP’s understanding, the Nationalist Party and its new leader Chiang Kai-shek betrayed the revolution and they became the successor of Sun Yat-sen’s revolutionary spirit and nationalism. In 1949, the CCP finally came to power after more than two decades of military struggles with the Nationalist Party and the Japanese. The CCP wanted to establish a ‘New China’ where ‘new’ had positive connotations. The CCP also continued its revolution in the New China; for example, the land reform of the 1950s, the Culture Revolution in the 1960s and the current economic reforms since the late 1970s which were defined as a revolution by Deng Xiaoping. In fact, only after entering the new century, has the CCP begun to consider reforming itself from a Vanguard revolutionary party to a ruling party.

To believe development can be achieved through revolution is essentially an institutional approach. The purpose of revolution is to replace the existing institution with something different, which is supposed to bring development to society. In fact, this kind of approach is not so different from the new institutionalism and good governance perspectives in the west. The real difference between them is not their institutional concerns but the different institutions they try to promote. Before the end of the Cold War, both liberalism and socialism claimed their universal nature on the institutional level to promote development. After the Cold War, only liberalism survives and still portrays itself as a kind of universalism.
to end human history. Currently, liberalism mainly expresses itself in neo-classical economics and good governance or democracy on the theoretical level and Washington Consensus in practice.

China used to believe socialism or communism as the universal trend of human development and exported revolution to the third world during Mao’s period. However, since Deng Xiaoping came to power in the late 1970s, China has begun to focus more on the development of productive forces or technology rather than institutional changes. China has also emphasised national particularity rather than universalism. In other words, since the 1970s China has become more materialist and nationalist than Mao’s era, when idealism and universalism were largely in charge. We need to examine the influence of Marxism and nationalism in order to grasp China’s understandings of development.

Deng essentially inherited a more favourable international security situation than Mao had ever enjoyed. Following Nixon’s visit to China, China established formal diplomatic relations with Japan, Germany, the EU, the US, and many other nations, and entered many international organizations as well. Sino-Soviet relations also improved a lot in 1980s. This made China feel much safer than before. Meanwhile, looking back, the current wave of economic globalization started from the early 1970s. The changing world situation guided Deng to believe that ‘peace and development are the principal themes of the times’. History has proved that he was right.

The difference between Deng and Mao on how to balance national security and national development directly came from the different international situations they faced. In Mao’s view, and perhaps also in reality, China’s national security was fundamentally threatened and national development therefore had to serve national security. The strategy of copying the Soviet heavy industry-oriented developmental model in the 1950s was the result of this model’s apparent strength. After all, the Soviet Union had defeated Nazi Germany in World War Two. For a nation like China that wanted to survive and that had to quickly build up a national defence industry, this model was certainly attractive. But when Mao found the Soviet model had its own problems in the late 1950s, he began to search China’s own development road. The Great Leap Forward was Mao’s attempt in this direction, and the Third Front Construction was the inevitable outcome of China facing the threat from both the US and the Soviet Union in 1960s.

Deng cared about China’s national security, mainly national sovereignty and unification, as much as Mao, but under the new international settings, he argued that national development meant national security. In his own words, ‘development is the only hard truth’. Deng also designed a framework for China’s development since the 1980s and this framework included three key points. The first was to prohibit ideological debates within the elite circles or give up the previous ideological approach favoured by Mao to development. He said, ‘don’t argue’ (bu zhenglun) is my invention… Argument makes things complicated and wastes a lot of time. As a result, nothing is accomplished.’ But Deng certainly had his own preference. He continued, ‘China should be alert against the Right but primarily against the “Left”’ (Deng 1992). For Deng, ideology is not really that important since ‘black cat, white cat, whichever cat catches the mice is a good cat’. The second was to prohibit institutional changes, particularly political institutional change, in order to guarantee political stability. In the early 1980s, Deng announced the famous ‘four hard principles’ to guide China’s reform and the key principle was that the leadership of the CCP in China could not be challenged. In the early 1990s, Deng restated his principle, namely ‘political stability is above everything’. Thirdly, after the complicated international, ideological and institutional issues settled down, Deng’s understanding of development became clear, namely development of the productive forces or economic growth. He basically wanted all of China’s energy to be channelled to this level of development. Since the market economy can promote economic growth, he felt China should adopt the market economy. Moreover as foreign capital, technology and
markets can promote China’s economic growth, China should open to the west. China’s leaders after Deng, i.e. Jiang Zemin, Hu Jintao and their colleagues basically have worked under this framework.

Since Hu Jintao came to power in 2002, he has certainly made this framework become more comprehensive under the so-called ‘Scientific Development Perspective’. Besides economic growth, we can also find other popular ideas about development from the contemporary west. For example, development should be human-centred and development should be comprehensive and sustainable. However, it highlights the primary concern of the ‘Scientific Development Perspective’ of whether development is still defined as economic growth (or d-development in Hart’s terms). The other important point is that since Jiang Zeming, the CCP has clearly defined the goal of China’s development. The goal is certainly not communism any more but the restoration of China’s great civilization. It was difficult to say Mao did not have this kind of nationalist idea in mind, but since Deng, China’s discourse of development has certainly become more nationalistic. From a long term perspective, from Yen Fu to Hu Jintao, China’s understanding about development has not really changed that much, namely development means wealth and power of a nation.

2. Development discourses in the EU and China

Having reviewed some key theories and approaches to development in the context of their (geo)political and ideological roots we now turn to how such discourses translate into policy frameworks.

2.1 Development discourses in the EU

The EU’s Consensus on Development (2005) sees development involving poverty eradication and sustainable development, both of which are enshrined in the MDGs. This document shapes much of the finer policy around Africa, China and aid effectiveness. Much of the discussion is about country ownership and partnership. Gone are ideas of aid recipients and instead, and in keeping with wider post-Structural Adjustment Programme debates, the emphasis is on respecting LIC sovereignty and allowing LICs to develop their own development strategies based on an appreciation of local context. This has interesting parallels with China’s notion of ‘non-interference’ though coming from different ideological and practical experiences and honoured to varying degrees and in different ways. The EU sees its role as one of facilitating dialogue and ensuring coordination and complementarity in aid delivery based on its size, global presence and coherence. They then concentrate on key sectors based on need, including trade, environment, infrastructure, agriculture, governance, conflict prevention and human development. Clearly there are many overlaps with Chinese agendas. However, the mode of engagement for much policy is through Economic Partnership Agreements (EPAs) EPAs are free-trade agreements that are negotiated between the European Union and 76 former countries in Africa, the Caribbean and the Pacific (ACP countries) and have been criticised for favouring the EU’s interests and being based on very asymmetrical negotiations (e.g. EPA Watch, Action Aid).

A mainstay of EU policy is around aid effectiveness, which overlaps with OECD-DAC work. The 2005 Paris Declaration on Aid Effectiveness was the culmination of growing concerns about the coordination and efficiency of aid. China is a signatory as an aid receiver, although this status is diminishing as inflows of aid fall away. It is beyond the scope of this paper to evaluate this initiative though some of the criticisms of the dominant aid paradigm are germane to our discussion. In brief the critique is that aid delivery is fragmented, comes
through a confusing array of modalities, places too much pressure on recipient states, and increases transaction costs (see de Renzio 2006; Collier 2006; Birdsall in Easterley 2008). The shift towards Direct Budget Support, Poverty Reduction Strategies, and Sector-Wide Approaches (SWApS) are part of the response to these critiques and move away from project-based approaches which are seen as easily manipulated by patrimonial pressures. Yet the Chinese primarily deliver aid through discrete projects and despite the goals of the Paris Declaration. Moss et al. (2008) report a proliferation of project funding among all donors (see also Riddell 2007: 180). Similarly, Woods (2008) points out that all countries’ own standards which inform aid are at odds with these normative goals set out in multilateral forums (e.g. the 0.7 per cent aid target) so we must be careful to single out emerging donors who do not adhere to these initiatives as recalcitrant.

The 2008 meeting in Accra to monitor the implementation of the Paris Declaration produced the Accra Agenda for Action, which reported reasonable progress, yet nowhere near fast enough or far enough (Davies 2009). A review of progress (AE full Report 20091023) showed that information systems are still inadequate to manage and monitor aid implementation, there is still a proliferation and fragmentation of donor activity, and heavy burdens remain on partner governments. Moreover aid levels are volatile and unpredictable. The documents make note of the need to engage ‘new contributors’ to international development policy and interestingly one of the Round Tables at the Accra meeting was on ‘Non-DAC’ donors in recognition of the growing role they are playing or might play. Crucially, Chinese aid is seen by recipients as much more streamlined and speedy in reaching its target. The argument in favour is that this makes it much more effective and efficient yet the downside is that this effectiveness is at the expense of considerations around the governance, human rights and environmental implications. Another EU and DAC initiative is around untying aid which it is argued raises the cost of projects because of the market distortions that protected tendering creates, although a sub-text, is that it constitutes unfair competition. This initiative is essentially a gentleman’s agreement without any compliance. Some DAC members still tie high levels of aid and China arguably delivers quality projects at lower costs despite ExIm and MOFCOM overseeing a process which assigns projects to Chinese SOEs.

2.2 Development discourses in China

As we saw above, development discourses in China have for the most part been ‘deeply political and ideologically driven and divided’ (De Haan 2009: 10). Debate has largely been differentiated between the neo-liberal paradigm and Marxist theories with the former emphasising the central role of the market in economic development and the latter exhorting the importance of the state. While China’s business sector is to a large extent state-owned, its development discourse does not neatly fit into either of these major paradigms. Instead, as Barabantseva (2009:2) states:

[…] China officially adheres to a market economy and the communist ideology as its guiding principles for modernisation. Its new developmental agenda has not completely replaced the earlier socialist rhetoric: instead, the two are synthesised and modified using cultural elements.

Situating China in the larger development discourses thus becomes challenging as it has gone against the tide and sought to ‘depoliticise development’ (De Haan 2009: 10). Its development trajectory has therefore been characterised by gradualism, pragmatism and a focus on solving technical problems. Within academic circles in China, this is viewed as ‘socialist modernisation with Chinese characteristics’ (Zemin 1992, cited in Barabantseva 2009: 5) reflecting a somewhat uneasy relationship between ideas of Western modernisation with Chinese particularities.
Despite the internal dichotomies and contradictions it presents, De Haan (2009) adds that one of the main lessons to be learnt from China’s development story for Africa and other LICs is in promoting agriculture in the early stages of development, developing infrastructure and creating supporting market incentives and effective state institutions. That liberalisation in itself is not a quick-fix solution is made amply clear through the Chinese case. The contradiction this presents to the EU development discourse will be examined subsequently.

In contrast to the EU which prescribes a development model based on legal reforms, democratisation and good governance along the lines of neo-liberal policies (the Washington Consensus), China argues that there is no direct linkage between good governance and sustainable economic development (Ampiah and Naidu 2008: 330). Instead, according to the Chinese understanding of development, ‘democracy is only valid if people’s socio-economic conditions are satisfied’ (ibid.: 333). Thus, the maximum good of the people or social and economic group based rights hold greater significance than individual rights, and poses as a focal point in the Chinese interpretation of human rights (Mohan and Power 2008: 35). Further, the EU’s development agenda holds that the state should play a minimal role in economic development, with the onus on market based mechanisms. In contrast, China’s state-sponsored development reflects how the state can play a central role by displaying ‘authoritarian flexibility’ (Lagerkvist 2009: 119). It must be cautioned here that China is not advocating that democratic governance should be forfeited in the pursuit of economic growth. Instead, it holds that African and other low income countries should choose a development path that suits their own socio-political circumstances.

China thus poses a challenge to the prevailing development paradigm of ‘strings attached conditionalities’ manifested in structural adjustment programmes by donor agencies like the World Bank and IMF – a model which has also been criticised for being bureaucratic, expensive and ineffective (Lagerkvist 2009: 122). This is reflected in the terms of the Cotonou Agreement of 2000 that followed the Lome IV Convention¹ between the EU and African, Caribbean and Pacific countries (ACP). According to this, a partnership was to be fostered on the basis of common political norms like democratisation and rule of law, the violation of which would result in trade and aid sanctions (Bach 2008: 282).

On the other hand, based on its own development experiences, China has been advocating a ‘no strings attached’ policy, emphasising that indigenous contexts must be taken into account as there is no universal model of development (Lagerkvist 2009: 122). Further, the focus on providing practical aid in the form of infrastructure and social projects, credit lines and reasonable contracts have made Chinese development aid appealing to African governments. The Chinese approach is viewed as concrete and effective without interfering with the internal dynamics of the governance of the country based on the principle of respect for state sovereignty (Bach 2008: 280). Angola’s dismissal of the transparency requirements of the IMF for a loan is a case in point, reflecting African leaders’ preference in dealing with China. Instead, a Chinese 2 billion USD soft loan presented a better option (Ampiah and Naidu 2008).

Some argue that the contrast between the EU’s intrusive, normative and regulatory framework for the dispensation of aid and China’s atypical, holistic approach seems stark. The latter presents the ability to rapidly deliver financial packages unlike the ‘slow and sometimes post-colonial approach of European investors’ and instead ‘combines aggressive capitalism with softened state backed government-to-government deals’ (Bach 2008: 280). China’s South-South cooperation with Africa is thus based on bilateral co-operation which is mutually beneficial to both the donor and recipient rather than the moralising EU stance.

which advocates that developing countries should play ‘catch up’ and seek to narrow the socio-economic gap between the North and South (Mohan and Power 2008: 27).

Building from Section 2.3 regarding security and hegemony we have seen over the past decade China’s stance on foreign relations shifting (Zhao 2007). According to Easley (2008) Chinese foreign policy discourses are shifting as multilateralism is prioritised over concerns with multipolarity, which underpinned much of the Mao era:

> Multipolarity, anti-hegemonism and non-interference are the old concepts of a relatively weak and isolated China. The new concepts of a strong and globally engaged China – peaceful rise, win-win diplomacy, and harmonious world – are more consistent with multilateralism, not multipolarity. (Easley 2008)

Beijing’s advancement of the concept of multipolarity defined as the construction of more or less flexible alliances to contain every form of hegemony and to build a new and just international order, has often motivated increasing China’s engagement in Africa (Tull 2006). In this recent second phase Leonard (2008) sees a broad left-right schism within the PRC, with old guard communists being much more belligerent towards other international powers and seeing the need to enhance domestic military capability. The ‘new right’ are a small but influential group (although their influence has waned since the mid-1990s) who want complete liberalisation and a market oriented foreign policy. The current leaderships are variously described as ‘populist’ and ‘new left’ (Leonard 2008), because they espouse a belief in markets but are tempered by the need to reduce inequality. Within them is a liberal internationalist group that want engagement with the norms of the international community based on the idea of ‘peaceful ascendance’.

Since late 2003, top-level Chinese officials have used the term ‘peaceful ascendance’ to describe an ideal growth plan for Chinese economic, political, and military expansion but the implications of this policy remain ambiguous. The populist concept of ‘scientific development’ currently guides the socio-economic ideology of the CCP, seen as the latest version of ‘socialism with Chinese characteristics’ and an extension of the ideas of Mao and Deng, one that was ratified into the party’s constitution at the 17th party congress in October 2007. It is dominated by egalitarian concepts such as the creation of a ‘harmonious’ and ‘person-based’ society, sustainable development, increased democracy and social welfare. Very much associated with Hu Jintao, it seeks to shift the focus of the official government agenda from ‘economic growth’ to ‘social harmony’. What does ‘pursuing development in a scientific way’ mean? Could it be modernisation discourse dressed up as something different, something Chinese (with its belief in the ‘law of development’ and its focus on questions of efficiency, science, industrialisation, education and the technical)? (Zheng and Tok 2007).

In terms of D-development and questions of foreign aid China has been both a recipient and a donor. However, in China studies of foreign aid are rare. The key reason perhaps is that, as both a recipient and a donor, China had extremely painful experiences in the past and people are reluctant to talk about aid. China certainly received massive aid from the Soviets in the 1950s, but according to the official interpretation, this close relationship with the Soviets finally threatened China’s sovereignty and caused the Sino-Soviet split. Since then, China has basically chosen a self-reliant development road. From the early 1960s to the late 1970s, China had not received any foreign aid and nor did China have any debt. In the 1960s and 1970s, China had also provided massive aid to Vietnam, amounting some sources said to around $US 20 billion. However, the result was that there was a war between China and Vietnam in 1979.

Since China began its reform, it has started to receive aid again, but China has learnt lessons from the past. Also, more importantly, it has the power to bargain with donors. It can
choose some types of aid it wants and reject others it does not. Thus, fundamentally, in the Chinese mindset, foreign aid is not really that important for its own development and this understanding of foreign aid had implications for China as a donor.

The general understanding of the unimportance of foreign aid to its development in Chinese discourse might not be factually true. According to recent academic research by Zhou et al. (2007) China has certainly benefited a lot from foreign aid. Zhou et al.’s study perhaps is the first and the only systematic study about foreign aid in China. Some of her findings are noteworthy. For example, she argues the aid from the Soviet Union was the most important aid China received for its development. With aid from the Soviets China began to develop its own industrial infrastructure, which paved the way for China’s economic take off later.

There is no systematic study of China as a donor in the Chinese context until this moment, although some scholars have certainly tried and some are still trying to do this. However, the basic obstacle for this kind of research is that the data on China’s aid to developing countries is treated as classified information by the government and has not been published. From the writings of officials and researchers what we can find are mainly principles of China’s aid to others, or some case studies.

According to these studies the achievements of China’s aid to developing countries can be summarized as follows. Firstly, foreign aid is primarily understood as a foreign policy tool rather than anything else. Rarely do studies connect aid with development. Secondly, China’s foreign aid policies have been changing since Mao’s era reflecting a change from ideological concerns to economic interests. Thirdly, there is some description of China’s aid management system but how it actually works is still not clear. Fourthly, China’s aid to foreign countries has become quite a controversial topic in China. Some people argue that China should completely stop providing aid to others because China is still a developing country and a lot of people in China need assistance, plus in the past China’s foreign aid was a failure. Thus, the argument implies the Chinese government should first care about its own citizens. However, there are also people arguing that China should use its huge foreign exchange reserves to launch the second Marshal plan to develop the whole developing world. It seems China’s foreign aid will draw more and more public attention in the future. Fifthly, there is no detailed study about the effectiveness of China’s aid to others and it is not clear whether the Chinese government has an internal system to evaluate its aid effectiveness.

2.3 Development discourses on China and Africa

China’s engagement with Africa has differed from that of the West with its advocacy of a ‘no strings attached’ policy of non-interference in international relations (Lagerkvist, 2009:119). This is reiterated in foreign policy documents and statements by the Chinese President Hu Jintao that emphasise sovereignty as one of the key principles of the country and consequently deny the use of hegemonic control over another country, especially in the context of China’s history as a colony (ibid.). Unlike the EU, China has thus emphasised mutuality or South-South cooperation in its dealings with other countries rather than the conventional benefactor-beneficiary relationship propagated by the EU. Thus, it has also sought to maintain affinity and diplomatic relations with developing countries (Wissenbach 2010b: 13). The central pillar to this emphasis on non-interference is the Five Principles of Peaceful Coexistence of Premier Zhou Enlai that were established in 1954 and prescribed:

[… ] mutual respect for sovereignty and territorial integrity; mutual non-aggression; non-interference in each other’s internal affairs; equality and mutual benefit; and peaceful coexistence.

(De Haan 2009b: 5)
Chinese discourses of partnership also relate to its role in multilateral organizations, to its contestation of hegemony and to its desire to become a major centre of influence in a multipolar world (Gu et al. 2008). Along with an additional tool of Chinese foreign policy, the provision of preferential trade access to African ‘partners’, these discourses and initiatives construct China as a viable alternative to the West whilst simultaneously signalling China’s role as a generous global power. As part of its liberal internationalism and its recent ascension to the WTO, China recognises it needs to court votes to protect and promote its interests. Respect for sovereignty and non-interference represent two key phrases that have been repeated in China’s rhetoric surrounding its aid disbursements to Africa. This rhetoric encourages the impression that China is not imposing its political views, ideals or principles onto recipient countries (Davies et al. 2008). According to Liu Guijin (the Chinese government’s special representative to Africa):

China has no intention to undermine Africa’s democracy. China is working hard to build a socialist democracy and promote human rights and good governance at home...China is a responsible major country in the world. I doubt there is any tiny political gain China can get by doing such things against the historical trend and the common wish of the people.
(Liu 2006)

Speaking in Khartoum in February 2008, Liu Guijin went on to say:

We [China] have never, and will never in the future, attach any kind of political conditions to these aid and development projects, because we think that providing assistance is just for the benefit of the people, it is not for political purposes, not for showing off to the outside world.
(Xinhua 2008)

According to more official accounts coming from China on China’s approach to development cooperation there is a significant difference between China and the West in their approach to Africa, and China’s strategy is ‘one of humanitarian and development aid plus influence without interference, in contrast to the West’s coercive approach of sanctions plus military intervention’ (Qian and Wu 2007). By contrast ‘Chinese aid centres on the real needs of the recipient countries, free from the shackles of unpractical ideas’ (Huang 2007: 84). Like Japan’s aid these ‘real needs’ are focused on infrastructure and agriculture without being ‘tied-up with a package of political or economic reforms’ (Huang 2007: 82). Indeed, the comparisons with Japanese aid are instructive since both countries have recently undergone industrialisation, been aid recipients, and drastically reduced poverty (GRIPS 2008), which influences their focus on infrastructure and growth. In turn, this affects the modalities, discussed below, of aid and concessional financing being connected and tied to China’s commercial needs. China is a recipient of development aid, though this is diminishing, and so avoids the status of ‘donor’ and the word ‘aid’ is often avoided altogether when talking about Africa. As King (2007: 2) has suggested, this is not just about semantics but is part of the almost 50 year history of China seeking to avoid the status of donor, and of presenting itself as a friendly developing country (with much historical experience of external oppression) helping other developing countries, to the best of its ability.

At the same time there is a discourse of mutual interdependence, which fits with China’s foreign policy doctrine of peaceful ascendance. At the core is an acknowledgement that ‘[a]lthough Africa might need China, China definitely needs Africa more for her development process’ (Li 2006). This reveals the essentially commercial and transparent nature of China’s engagement with Africa. It is less about a managed process of ‘catching up’ with more developed nations, but an even-handed recognition that Africa’s resources are vital for China’s growth and that this is a ‘win-win’ situation for both parties. This commercialism over
aid strategy infuses much policy, but it remains to be seen if the dividends from this growth reach the poorer sections of African societies (Kaplinsky 2008).

We would argue that non-interference has always been a flexible practice, depending on the circumstances, and also that such a principle cannot necessarily be permanent. Karumbidza (2007) is probably correct then when he says that ‘the Chinese are themselves well aware’ that their non-interference stance is untenable in Africa. Given that the economic relationship matters to China, its government has a vested interest in long-term stability, and its current rhetoric suggests an understanding that this is best procured by ‘harmony’ and the careful balancing of interests, not by force. Non-interference is a principle that is certainly breaking down as shown by China’s recent involvement in Sudan and by the emerging strategy of ‘proactive non-interference’ that has been used in negotiations for a post-Mugabe regime in Zimbabwe. The fact that China is doing so goes against some of the ‘rogue aid’ discourses since China is now acting more ‘responsibly’ in seeking to resolve internal governance issues.

Sudan is a case in point for how China’s stance has changed (Large 2008). China’s stance on human rights was framed in its anti-imperialist rhetoric, which has two elements. One is historical, which argues that Western powers are hypocritical given the colonial abuses. As Li Anshan argues:

This is indeed ironic, coming from western countries talking about abuse of human rights, when they have committed relentless human right abuses during their colonial periods…. It is almost shameful for these countries to accuse China of human rights abuses, when they have committed much more atrocious acts in the past.

(Li 2006)

The second rebuttal is related in that any conditionality around human rights is seen by the Chinese as necessarily an abuse of human rights.

The establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000 has enhanced dialogue and cooperation between China and African countries who were invited to participate in forums in 2003 and 2006. Some of the commitments made by President Hu Jintao in the 2006 meeting were to double assistance to African countries by 2009, cancel the interest free debt owed to China by 33 African states, establish a 5 billion USD fund to encourage Chinese investment as well as to allot 5 billion USD as concessional loans and credit (Ampiah and Naidu 2008: 334; Bach 2008: 285). In addition, special economic zones were also to be opened in three to five countries by 2009 (De Haan 2009b: 5). Another policy practiced by China has been to exert soft power through the extension of concessional loans amounting to 800 million USD by the end of 2005 and covering 55 projects in 22 countries (Ampiah and Naidu 2008: 333). In addition, 1500 scholarships annually have been awarded to African students and four Confucius institutes in sub-Saharan Africa set up to promote Chinese language and culture (ibid.: 334). The declaration of China’s Africa Strategy in 2006 further emphasises the established of a strategic partnership between China and African countries on the basis on bilateral aid (Bach 2008: 285).

With the establishment of the African Union Charter and NEPAD, African countries also have a forum through which they can express their own development goals in addition to engaging their regional and continental frameworks to devise strategies in cooperation with all partners. Further Wissenbach (2010a: 4) adds that:

As the AU Charter is catering for elements of both the West’s and China’s normative preferences (e.g. democracy, human rights, rule of law, good governance,
responsibility to protect, but also sovereignty, self-determination) it should be the normative framework of choice for functional cooperation for the West and China.

There are now attempts to forge an EU-China strategic partnership since China has come to play a major role in international affairs that emphasises on deepening cooperation, a balance of interests while maintaining normative differences, which has been summed up as ‘functional multilateral cooperation’ (Wissenbach 2010b: 17).

The EU’s European Report on Development (2009) argues that Africa is essentially ‘fragile’ and the challenge is to promote ‘resilience’. This is largely about African state capacity (‘dysfunctional institutions’) although it does acknowledge ‘structural problems’ and that past European activity in Africa had a detrimental impact. The priorities are similar to the general EU ones around governance, trade and security and this is framed in terms of a tailored, sovereign, country-by-country approach as opposed to one-size-fits-all solutions. Again, this has some affinities with China’s bilateralism and non-interference. It is these potential affinities that are at the heart of the EU, Africa and China trilateral dialogue (2008). The watchwords of this initiative are ‘dialogue’ and ‘coordination’ to see where overlaps and potential synergies exist in terms of promoting African development. The potential areas are agriculture, infrastructure, environment and security.

To summarise, China’s development discourse is based on ‘equality, mutual respect and non interference in domestic affairs’ (Wissenbach 2010a: 1) that stems from a policy of ‘no strings attached’ aid (Lagerkvist 2009: 122). This has been termed the Beijing Consensus and reflects a different ideological position from the 1980s Washington Consensus prescribed by the West that set conditionalities on the basis of which trade relations were established and aid dispensed (ibid.:124). The Western media often seems to portray this strategy as a guise by China to diminish Western influence and fulfil its appetite for African resources (Mohan and Power 2008: 26). Accusations of poor human rights records, environmental and labour standards also plague China, particularly with regard to the Darfur crisis. Yet, these charges must be viewed with caution. China’s Africa policy is also not based on a quest to challenge liberal democratic development prescribed by the EU but is instead driven by China’s development interests.

3. Interests, actors, policies and processes

These policy discourses shape, to some extent, more concrete actions around development.

3.1 Interests: economic growth, demand for natural resources and energy security

As discussed, the post-Mao era of the late 1970s saw a shift in China’s policy from support for Maoist inspired revolution to prioritising ‘economic modernisation and to maximising access to foreign markets, technology and capital’ (Mohan and Power 2008: 30). Since then, China has witnessed an average annual GDP growth of 9.4 per cent through China’s ‘state-orchestrated market capitalism’ (Ampiah and Naidu 2008: 330). Even during the global financial crisis and the corresponding contraction of the world economy in 2009, China had an 8 per cent growth rate (De Haan 2009: 20). Yet, to sustain this growth, one of the primary needs is to maintain energy security requirements. China’s energy demand will at least double during the next two decades to sustain current economic growth rates (Urban et al. 2009; Urban 2009). China is primarily dependent on coal for generating power. If the entire economy were to depend on powering with coal, the annual quantity of raw coal to be burnt would be 2150 million tons (Chang et al. 2009: 1) which has serious consequences for
energy resources, security of supply, climate change and social and environmental well-being (Urban et al., 2009; Urban 2009). China is therefore forced to look beyond its borders for sources of energy and other natural resources. This drive resulted in China’s ‘Going Out’ or ‘Going Global’ strategy whereby China sought to achieve its energy needs by encouraging outward investment and subsidising investment by Chinese companies in extracting natural resources overseas (Heinrich Böll Stiftung 2008: 1). According to the World Investment Report (2004, cited in Pamlin and Baijin 2007: 10), one of the key drivers for China’s FDI is precisely because of a demand for natural resources. The following data exemplifies this:

[...] average annual outward FDI flows grew from $450 million in the 1980s to $2.3 billion in the 1990s, and outward FDI stock was estimated at $37 billion by the end of 2003.

Commercial engagements have thus come to play a central role in China’s strategy to strengthen the economy. In addition to capital formation, exports account for the main driving force of the economy resulting in China’s holding 7 per cent of the world’s market share in trade in 2005 (De Haan 2010: 20).

In this regard, oil is of vital importance to fuel the economy with China’s energy consumption estimated to increase from 153 per cent between 2002 and 2025 (Klare and Volman 2006 cited in Mohan and Power 2008: 30). This is reflected in China’s relationship with Africa. According to Ampiah and Naidu (2008: 335):

About 85 per cent of Africa’s exports to China is derived from five oil exporting countries: Angola, Equatorial Guinea, Nigeria, the Democratic Republic of Congo (DRC) and Sudan. Correspondingly, 50 per cent of China’s investments are concentrated in a handful of countries, which have natural resources that Beijing needs.

Bach (2008: 285) adds that in 2005, 20 per cent of sub-Saharan Africa’s exports of raw materials and 15 per cent of fuels were to China. It is therefore unquestionable that China’s role as the manufacturing hub of the world (which has earned it the title of the ‘world’s factory’) coupled with the dynamics of a large population is driving its motivation for investments in Africa and South Asia (Wissenbach 2010: 5). So much so, that 23 per cent of CO2 emissions are a result of producing goods exported to other countries (Zeng et al. 2008: 730). This implies that approximately 20 per cent of all energy and materials consumed in China is used for manufacturing export goods for other countries, primarily from the OECD. The high demand from developed countries for Chinese products is another cause behind its pursuit of resources in low income countries.

De Haan (2009: 21) adds that over the past few years, China has become Africa’s third largest trading partner with figures touching over 100 billion USD in 2008. While imports from Africa are primarily in oil and gas, exports include machinery, vehicles, textiles and manufactured products. While oil continues to remain the predominant import, China also imports other minerals and metals as well as agro-forestry products (Broadman 2007 cited in Mohan and Power 2008: 32). This reflects China’s strategic interests in securing energy and accessing raw materials. Data on Chinese FDI in Africa, which touched over $26 billion in 2007, is further evidence of its growing presence on the African continent. While this remains a small part of total FDI in Africa (3 per cent) and of China’s total outflows (6 per cent), it is a significant trend (De Haan 2009: 21). While the state has had an important role to play in propelling this investment, the role of private Chinese firms is growing increasingly significant and is driven by ‘African market opportunities, competition within China and the presence of a strong entrepreneurial spirit’ (Gu 2009: 570). This will be examined in detail in the next section.
3.2 Who are the actors?

As China’s presence in international affairs continues to grow through trade, investment, loans and foreign aid, the number of actors involved presents an increasingly complex picture. State owned enterprises (SOEs), large multinational state ‘influenced’ enterprises as well as small, private trading and manufacturing companies (Mohan and Power 2008: 32) are increasingly investing overseas. Table one reflects the stages in the growth of Chinese companies in Africa. According to Lagerkvist (2009: 123), more than 800 Chinese SOEs were investing in Africa by the end of 2005 in trade, resource extraction, agricultural development, manufacturing and transportation. The accumulated value of these companies was estimated at 41.3 billion USD (Zhan, 2006 cited in Lagerkvist 2009: 123). One of the major actors involved in overseas expansion is China’s National Oil Corporation (NOCs).

Table 3.1 Growth stages of Chinese companies in Africa (China-Africa Project Survey cited in Gu 2009: 572)

<table>
<thead>
<tr>
<th>Stages</th>
<th>Main features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage One: 1949 – 1980s</td>
<td>Limited number of Chinese companies, mainly implementing Chinese Governments development Aid Projects</td>
</tr>
<tr>
<td>Stage Two: 1980s – mid 1990s</td>
<td>Large national and provincial level state-owned trading companies, closely associated with diplomatic agenda; few private companies.</td>
</tr>
<tr>
<td>Stage Three: Mid 1990s – 2000</td>
<td>Emergence of large state-owned enterprises (SOEs) mainly resource-seeking, strategic asset-seeking, and infrastructure investments; Increasing number of private companies start exploring African market.</td>
</tr>
<tr>
<td>Stage Four: 2000 – 2005</td>
<td>Expansion of large SOEs and private companies; emergence of clustering development strategy, e.g. Trade zones; industry parks.</td>
</tr>
<tr>
<td>Stage Five: 2005 – Present</td>
<td>Acceleration of private companies in various sectors and continued expansion of SOEs; the development of clustering industry strategy.</td>
</tr>
</tbody>
</table>

In South East Asia as well, the Chinese Export–Import Bank and other Chinese financial institutions, SOEs and private firms are now involved in at least 93 major dam projects overseas to gain access to hydropower resources of the Mekong Sub-Region (McDonald et al. 2009: 294). Of these, the largest hydropower dam building company in China is Sinohydro Corporation, an SOE which is subject to the rules and regulations of China’s State Council and its State-owned Assets Supervision and Administration Committee (SASAC) (International Rivers 2008). Another major player is the China Southern Power Grid company, a provincial-level SOE, which was set up in 2002 to reform the power system ((McDonald et al. 2009: S297). In addition to the above mentioned construction companies, financial institutions like the China Exim Bank and China Export and Credit Insurance Corporation (Sinosure) also have an enormous interest in hydropower development and are involved in the majority of China’s overseas investments (Heinrich Böll Stiftung 2008: 2; Urban, Wang and Khatri 2010).

While SOEs are major stakeholders, the number of private enterprises has also increased significantly over the past decade, across industries like agriculture, forestry, food processing, fishing, furniture manufacturing, footwear, textiles and garment making, pharmaceuticals and services. So much so that Wang (2007 cited in Gu 2009: 571) adds that ‘the private sector, rather than government ministries is increasingly the engine of economic exchange between China and Africa.’ According to the Chinese EXIM Bank, in
2006, 85 per cent of the 800 companies investing in Africa were privately owned (Gu 2009: 573). On a global scale, data cited by the Ministry of Commerce estimates that the number of Chinese companies operating abroad increased from approximately 3,400 in 2003 to over 6,000 by 2006 (Wing and Lam 2009 cited in De Haan 2009: 20).

While a few large privately owned companies like Huawei Technologies, Holley Group and Zhongxing ZTE Corporation have operations in Africa, the majority are small and medium enterprises (SMEs). Most of these companies were motivated to invest overseas because of access to larger markets in comparison to the highly competitive domestic markets which also have production surpluses (ibid.). Data from MOFCOM (2007 cited in Gu 2009: 580) states that ‘China has more than 40 million SMEs, which account for 99 per cent of Chinese companies, making up 60 per cent of Chinese exports.’ The Chinese government is also encouraging private overseas investment under the auspices of the ‘Going Out’ strategy, which includes financial support, information dissemination, tax incentives, credit and loans. Yet, there remains a gap between policy and its implementation. This has in turn raised questions pertaining to monitoring issues and raised the issue of managing trade frictions. Some of these issues will be examined through a study of China’s foreign policy in the subsequent section.

Regarding Chinese approaches to aid, aid disbursed by the Chinese is generally delivered through three modes of grant aid, interest free loans, and concessional loans (Davies et al. 2008). Aid is also project based (often turn-key) rather than sectoral or programme aid (Glosny 2006; Davies et al. 2008). In concrete terms, however, there is a blurring of aid and investment. The Chinese usually part pay for their oil and other resources in infrastructure which means there is less free-floating cash for unscrupulous diversion. The routes for aid and investment are the privileged Chinese corporations selected as part of the Chinese Government’s ‘Go Out’ Policy of 2002 (Reilly and Na 2007), but as more companies internationalise it becomes harder for the Chinese state to maintain a coherent strategic and regulatory hold over them (Gill and Reilly 2007) with Chinese corporations competing with one another (Downs 2007).

Decision-making around aid usually involves the recipient country approaching China, either through the embassy or at a higher diplomatic level. Indeed, it seems Chinese Embassies are crucial nodes in these negotiations. At the Chinese side there is a range of ministries responsible for aid and overseas investment (Sautman and Hairong 2006; Glosny 2006; Brautigam 2008). If agreement is reached a framework agreement is signed and the finance is assembled with MOFCOM (Ministry of Commerce) playing the lead role in grants and ExIm Bank providing loans, although Brautigam (2008) shows how MOFCOM may pay the difference between a commercial loan rate and a concessional rate, thereby cross-subsidising ExIm Bank. Once details have been negotiated a more detailed agreement is signed at which point MOFCOM assigns a Chinese company as contractor (Glosny 2006: 19–20; AFRODAD 2008: 12–13). Hubbard (2008: 225) asserts that the Chinese insist that the Chinese contractor appointed by MOFCOM should ‘purchase and import from China as much equipment, technology and services as possible’, which is similar to the earlier Japanese model. Labour importation is also part of this though research is needed into the actual levels as opposed to speculative hyperbole. A similar issue is raised around export credits which are the preferred currency used by ExIm. Again the OECD instituted a ‘gentleman’s agreement’ about the use of export credits, though this is limited to OECD members. Export credits are not classified as aid and potentially allow for more tying (Manning 2006), but Reisen and Ndoye’s (2008) study suggests that despite China not being part of the DAC their lending is not ‘imprudent’ despite the accusations to the contrary (Phillips 2006).
4. Conclusion

With this analysis in mind the remaining questions for onward analysis and theorisation are:

- How do China-LIC relations fit into wider and longer-term processes of global restructuring?
- In what ways and with what effects have China’s internal reforms shaped its engagement with the developing world?
- How have China’s past engagements with LICs shaped its contemporary relationships?
- What role has ‘aid’ played in enabling these relationships and to what extent does China ‘challenge’ other donors?
- How have recent China-LIC interests been shaped through the relationships between Chinese and LIC states and other ‘non-political’ actors?
- Have Chinese projects had unusually harsh impacts on the environment in LICs and globally?
- How far is China’s LIC engagement part of a broader geopolitical transition?
- As a result of China’s rise do we need to rethink the ways we analyse international development?
References


Wissenbach, U. (2010a), *China, the Global Crisis, Africa’s Modernisation and how to Leverage China*, Bruges: Department of EU International Relations and Diplomacy Studies

—— (2010b), *Much Ado About Nothing? China’s Quest for a Place Under the African Sun*, Bruges: Department of EU International Relations and Diplomacy Studies

