Chapter 5: The Chinese Context

Investments from a Home Country Perspective

1. Introduction

The empirical evidence casts doubt upon the widespread claims according to which Chinese land-consuming OFDI is for the country's food security. In practice, the comparatively small share of agricultural projects produces for domestic or regional consumption, and many projects can be traced back before the 2007/2008 crises. Moreover, Chinese projects target multiple sectors that use land not only as a resource, but also as a productive space for industrial and modernization activities. At the same time, the agency of the state is very diverse. And, a wide range of non-state actors, Chinese and other are involved.

This chapter looks at the how and why of Chinese land-consuming OFDI activities against the background of the investor country itself. In particular, it will discuss these activities in view of China's OFDI policy (Section 2), the guiding ideology of China-Africa relations (Section 3), and, finally, the country's political economy (Section 4) and development trajectory (Section 5). The multiple threads emerging from this discussion will be summarized in the conclusion (Section 6), which will be guided by the question of why these investments occur as they do in and over time. In addition to domestic dynamics and international contexts, this section will also briefly assess the investments' likely welfare implications.

It is argued that the following features are significant in explaining Chinese OFDI from a home country perspective: (1) these investments are embedded in an increasingly supportive OFDI framework that emerged as a result of the country's resource-intensive and export-oriented industrial set-up; (2) they are guided by a foreign policy ideology that is affected by the neoliberal terminology of "win-win" and embedded in the analytical frame of today's mainstream economics—representing a major shift away from previous concepts of autarky and self-reliance that informed China-Africa relations; (3) the very actors and institutions involved are reflective of a system of "neoliberal governmentality" that has emerged since 1978, and whose state-market relations are more complex than the concept of state capitalism usually assumes; and (4) the investments reflect the rising resource pressures, external dependencies, high international competition, and social costs of China's development trajectory since the 1990s.

More broadly, four drivers explain why Chinese land-consuming OFDI in SSA happens from the home country perspective. Accordingly, Chinese land-consuming OFDI projects are part of a long-term strategy to diversify supply and access to resources (mineral products), even if these are not consumed back home; a diplomatic strategy to foster political alliances and expand the country's soft power in international relations, through economic presence as well as commitment to host country requests; a commercial strategy to develop and open new markets for Chinese products; and a strategy to internationalize China's industrial base to address the competitive pressures back home, as well as the ecological and social challenges.

2. Home Country Measures

Institutionally, the investments in Africa reflect the full range of home country measures that have been implemented in China since the mid-1980s. This section will assess key timelines of the emerging policy framework underpinning Chinese overseas investments; deliberate on the framework's changing objectives in and over time; and introduce its key components that pertain to Chinese engagement with African countries. The discussion of Chinese land-consuming investments in the context of policy will be complemented by consecutive sections addressing the ideological and politico-economic specificities of Chinese "land acquisitions" from a home country perspective.

From a historical perspective, the increasingly supportive stance on OFDI flows and the related policy framework emerged in the 1990s. They then gained momentum in 2001 with the adoption of the "Go Out" (*zou chuqu*) policy framework.[1] While it built on existing aid projects and bilateral diplomatic relations, this framework also reflects the fundamental changes that the Chinese government has made towards its OFDI policy preferences since 1978. Outward investments had long been referred to as "poisonous grass"[2] in the domestic debate. They were portrayed as unfavorable for a domestic development strategy prioritizing the accumulation of foreign exchange reserves.

The transition from this OFDI-restrictive policy regime towards a supportive one has happened over several periods, stretching from China's opening up

1 | Bernasconi-Osterwalder et al. (2013).

2 | Xue and Han (2010), 310-320.

in 1984 until the present.[3] Firstly, during the 1980s, the Chinese government prioritized the accumulation of foreign exchange reserves, and maintained a prohibitive stance towards OFDI. Capital exports needed the approval of the National People's Congress; foreign exchange earnings were only applicable for licensed companies in the export sector; and requirements established a USD 10 million limit, together with the obligation to remit all profits made overseas.[4]

Secondly, from 1991 until 2000, and particularly after Deng Xiaoping's famous trip to the South in 1992 and the victory of the economically liberal faction within the Chinese Communist Party (CCP) over the socialist faction, OFDI provisions and related regulations began to undergo far-reaching reforms. SOEs took on the status of monopolistic enterprises, which gave their management more leeway in operational decisions;[5] foreign exchange regulations "changed from the previous 'earn to use' mode into a 'buy and use' mode;" and OFDI was framed in an official document ("opinion") by the National Planning Commission (NPC) as a strategic instrument for overseas expansion.[6]

Thirdly, since 2001, the Chinese government started implementing the "go out" framework, reflecting a more technical and increasingly supportive stance on Chinese OFDI (see below for a more detailed description of the framework). As a result, the overseas expansion of Chinese companies was supported by financial mechanisms and/or the provision of information about the host countries to the companies.

Since 2009, the regulatory framework has "further eased and decentralized the approval procedures," thereby encouraging the overseas activities of Chinese companies.[7] Moreover, "[i]n July 2009, the PRC government launched a small pilot program to permit selected Chinese companies to settle their cross-border trades in select offshore jurisdictions in RMB."[8] In this context, China's Central Bank has also begun to push the internationalization of the renminbi, for instance, in the form of an agreement with the trade hub Nigeria

3 | Xue and Han (2010), 310-320.

4 | Xue and Han (2010), 310-320.

5 | Wang (2002), 201-205.

6 | The NPC document was titled, "Opinion of the State Planning Commission on the Strengthening of the Administration of Overseas Investment Projects." (The NPC is now the National Development and Reform Commission (NDRC)). See Xue and Han (2010), 316-317.

7 | Rosen and Hanemann (2009). Of particular interest is Table 1 (p. 20) on "China's OFDI Policy Framework."

8 | King and Wood Mallesons (May 2014).

in Africa to include the RMB as part of its foreign exchange reserves from January 2011.[9]

OFDI: Development, Contexts, and Objectives

A closer look at the official OFDI documentation helps to break down the sequence of events and identify the objectives that led the government (under the given political economy) to perceive overseas investment as a useful instrument to realize particular interests. The following paragraphs will show that OFDI has been framed as a tool to facilitate the acquisition of resources, technology, and knowhow, promote exports, and create new markets. Specifically, OFDI is said to support the country's efforts to upgrade its industrial structure to reduce the negative environmental, ecological, and social impacts of the economic development strategy; enhance resource security through the diversification of supply; counter the negative impacts of the economic crisis in Asia (and Europe) on the Chinese export industry; strengthen and support the emergence of national champions (enterprises) in the context of liberalization and WTO accession; and, thereby, ensure the stability of the political regime whose legitimacy is seen to rely on economic growth (see Sections 3 and 4).

Historically, two events explain the changing attitude of the Chinese government in view of OFDI in the mid-1990s: firstly, the rise to power of the economically liberal faction within the CCP; and, secondly, the rising external resource dependency in the 1990s and the increasing inability of the domestic resource base to keep up with industrial demand. Consequently, in 1992, OFDI became part of the country's economic development plan, primarily in the context of encouraging the national oil companies to go abroad and diversify supply.[10] The official document of the National Planning Committee also stated that OFDI should be endorsed to "acquire resources, technologies and markets overseas."[11] These were all crucial elements that the formerly closed-off country was missing in its industrial set-up, which did not have a global production

9 | See Payi (September 2011) according to which "Nigeria diversif[ies] reserves into Renminbi" to moderate the currency volatility and inflation experienced between US and Naira (Nigerian currency). The negative US sovereign rating and the ongoing economic crisis in Europe have been influencing the decision by Nigeria to diversify its foreign exchange reserves as a strategy to improve security, liquidity, and returns. Also see the case of Zimbabwe, which has adopted the renminbi as legal currency under BusinessDaylive.co.za (30 January 2014).

10 | Adapted from Xue and Han (2010), 317. And Rosen and Hanemann (2009), 20.

11 | The NPC document was titled "Opinion of the State Planning Commission on the Strengthening of the Administration of Overseas Investment Projects." See Xue and Han (2010), 316-317.

network dimension. Consequently, changes in foreign exchange management made it easier for a greater variety of (SOE) enterprises to invest overseas.[12]

With time, additional dynamics played an important role. In 1999, the Asian financial crisis gave impetus to further reform of the existing OFDI regulations. The crisis had led to a huge decline in exports due to the relative appreciation of the renminbi, and this decline was negatively affecting the manufacturing industry, a major source of jobs and state revenues. In response, a first reference to the "Go Out" strategy appeared in the 1999 State Council document titled "Opinion on encouraging companies to carry out overseas material processing and assembly."[13] This document affirmed the use of OFDI to address the problem of a massive decline in regional export demand, and it encouraged overseas assembly and processing activities to profit from cheap labor and resources in the context of the rising international competition for markets. In this reform step, the economic emphasis was on export promotion and industrial restructuring.

Another event that impacted OFDI regulation was China's WTO accession in 2001. In anticipation of this event, the 5th Plenary Session of the 15th Congress of the CCP issued a "suggestion" for economic and social development in 2000, which mentioned four investment types that would be supported, namely "processing, trade, resources extraction, project contracting."[14] Among the policy support measures mentioned were credit and insurance services.[15] This "suggestion," which forms the basis of today's "Go Out" Strategy, was then embedded in the "Outline of the 11th Five Year Plan for national economic and social development."[16] It has become the foundation of ongoing reforms, such as the further simplification and decentralization of approval procedures regarding overseas investment,[17] particularly with regard to foreign exchange management and the provision of funds for market development and internationalization.

The underpinning story of this reform process, namely the association of overseas investment with domestic economic interests (framed as "needs" in the respective official documentation), has since become a common pattern of official rhetoric and action. For instance, at the 16th National Congress of the CCP in 2002, the then President Jiang Zemin stressed the importance of overseas investments for facilitating domestic reforms and liberalization in the context of WTO accession, and for creating competitive TNCs and brands with

12 | Xue and Han (2010), 316-317.

13 | Wilkes and Huang (2011), 9.

14 | Wilkes and Huang (2011), 9.

15 | Wilkes and Huang (2011), 9.

16 | Wilkes and Huang (2011), 9.

17 | Rosen and Hannemann (2009), 20; Wilkes and Huang (2011), 9.

the help of the export of commodities and labor services.[18] Ongoing reforms of OFDI management continue to simplify approval structures while freeing more financial resources in support of OFDI activities.[19]

Together, these multiple objectives, which have come to be associated with the Chinese perspective on OFDI projects and embedded in the contemporary policy framework, provide important parameters of Chinese development challenges, economic interests and paradigms that any assessment and explanation of Chinese land-consuming FDI has to take into consideration. The key institutional features of this framework in which Chinese OFDI in Sub-Saharan Africa is embedded will be outlined in the following section. At the same time, this positive framing of OFDI mirrors shifts in the country's guiding ideology and political economy that will be explained subsequently.

The "Go Out" Framework

Today, the set of home country measures that supports Chinese OFDI is cross-cutting in view of both sectors and policy fields (aid, trade, and investment). It incorporates a large range of encouragement policies in the form of tax relief, loans support, foreign exchange policy, expat insurance, bilateral investment treaty (BIT) agreements, and information services, as well as simplified approval processes, and regularized supervision.[20] While this OFDI policy framework is among the most elaborate when compared to those of the other BRICS countries[21], it still lags behind those of the OECD countries, and Chinese entrepreneurs will remain at a disadvantage compared to their Western counterparts as long as government and governance "largely function by way of the 'unwritten rules' of political life."[22] The framework also suffers from the overlapping responsibilities of the agencies involved, especially the Ministry of Commerce (MOFCOM)[23] and the NDRC, which coordinate the host country catalogue. That catalogue lists the countries in which Chinese inves-

18 | Wilkes and Huang (2011), 9-10.

19 | Xue and Han (2010).

20 | Xue and Han (2010), 305-323.

21 | BRICS refers to Brazil, Russia, India, China, and South Africa.

22 | Yu (2008), 23.

23 | MOFCOM, the Ministry of Commerce of the Government of the People's Republic of China, was established in its current form in 2003. It focuses on trade policies, consumer regulations, FDI, and foreign economic policies/agreements (e.g., bilateral and multilateral trade agreements).

tors are eligible for subsidies from their government.[24] Moreover, the transfer of approval authority over foreign investments of less than USD 3 million from central government agencies, namely SAFE[25] and MOFCOM, to the provincial level in 2003 resulted in what has been described as "an alphabet soup of agencies, bureaucrats, and businesses looking to regulate or profit from Chinese firms' overseas investments."[26]

With regard to Africa, the Chinese government has negotiated 26 bilateral investment agreements with African countries in recent years.[27] It has also put in place an information service platform, through which companies can report difficulties they are facing in different countries and learn from each other's experiences while retrieving legal and resource-related data on a given country. At the same time, formalized supervision has been introduced in the form of annual reporting by the investing company. All of these measures not only support OFDI, but also allow for the steering it.

In addition to the regulatory institutions, several political and financial instruments specifically directed towards investments in SSA are part of this framework of home country measures that play an important role in the facilitation of Chinese land-consuming investments. In the political realm, the Forum of China Africa Cooperation (FOCAC, *Zhong Fei hezuo luntan)* has become a central platform for inter-governmental exchange, coordination, and cooperation. Since its establishment in 2000, high level summits have taken place on a triennial basis.

Activities at FOCAC include the announcement of major economic and aid cooperation projects between China and Africa, such as the agricultural technology development centers, and the release of important white papers about the terms and principles of cooperation. Many heads of state and high level ministry personnel have attended the summits. For instance, the 4th FOCAC meeting in 2009 attracted heads of states and government officials from 49 African countries in addition to a big Chinese entourage. In his opening speech, Chinese Premier Wen Jiabao emphasized the significance of the forum:

> Since its founding nine years ago, FOCAC has played a major role in guiding and promoting the development of China-Africa relations and become a bridge of friendship

24 | For a detailed description of responsible agencies, their competencies, and issued policies concerning OFDI management, see Wilkes and Huang (2011); and Han and Xue (2010).

25 | SAFE, the State Administration of Foreign Exchange established in 1978, is a government agency that administers the rules and regulations of foreign exchange market activities. It also manages foreign exchange reserves.

26 | Salidjanova (2011), 13; Xue and Han (2010).

27 | Takman (2004).

and a platform of cooperation between China and Africa. In the three years since the Beijing Summit in particular, the two sides have worked together to build the new type of strategic partnership featuring political equality and mutual trust, economic win-win cooperation and cultural exchanges. Together, we have opened a new chapter in China-Africa cooperation.[28]

Accompanying this form of strategic political cooperation are new forms of so-called development finance for overseas projects. In the case of Chinese investments in Africa, several financing sources which are embedded in the "Go Out" framework and located in the aid, trade, or investment policy fields are essential and will be highlighted in the following paragraphs.

Firstly, grants, zero-interest loans, and concessional loans support Chinese aid projects, which have been aligned to trade and investment objectives since a reform in the 1990s. Zero-interest loans and grants are taken from China's aid budget and overseen by MOFCOM and the Ministry of Foreign Affairs.[29] The China Development Bank (CDB) and the China EXIM Bank, created in 1994, provide most of this finance under MOFCOM supervision. Moreover, concessional loans were introduced as a new aid instrument in 1995 under the management of the China EXIM Bank. These loans have a long-term repayment period of 20 years, a fixed interest rate (2-3%), and a five-year grace period. Importantly, the aid funds are only used to cover the difference between the China EXIM Bank's rate and the fixed interest rate.[30] Using these new instruments to deliver development finance, the Chinese government could increase the total number of development assistance activities.[31]

Another financial mechanism is the Special Fund for Foreign Economic and Technical Cooperation (hereafter 'the Special Fund'), one of several under the supervision of MOFCOM that are meant to support Chinese companies "carrying out the needs of China's economic diplomacy."[32] It has, for instance, been used to back Chinese companies involved in the establishment of the Special Economic Zones mentioned in Chapter 4.[33] The Special Fund repays to companies active in African countries a share of their pre-investment costs and provides interest rate subsidies for bank loans. Importantly, the Special Fund is not part of the official aid budget.[34]

28 | Wen (2009).
29 | Brautigam (2011a), 3; State Council (2011a).
30 | Brautigam (2011a), 4.
31 | Brautigam (2011a), 4.
32 | Brautigam (2011a), 4.
33 | State Council (2010).
34 | Brautigam (2011a), 4.

Loans made by the two major policy banks, the CDB and the China EXIM Bank, are also important for Chinese land-consuming investments. While these loans are "heavily influenced by government policies and are not to operate in full compliance with market rules," they have to meet criteria of profitability.[35] Since these banks get the same credit-rating as the Chinese government, they can increase funds by issuing bonds with that favorable rating; and they can take a long-term perspective.[36]

In addition, export buyer's credits, a long-time feature of the OECD countries' OFDI frameworks, were introduced in 1998. They were initially for firms with projects in the construction sector overseas (Asia). Since 2005, the China EXIM Bank has offered such credits for investments in Africa. These export buyers' credits, which make up the majority of lending done by the China EXIM Bank, are not part of the foreign aid regime. Instead, they are issued in United States dollars using international standard rates like the London Interbank Offered Rate (LIBOR) or the Commercial Interest Rate of Reference (CIRR).[37] Moreover, preferential export buyer's credits are issued.

Aside from the aforementioned activities conducted by the so-called policy banks, financial activities in Africa also involve Chinese commercial bank activities, such as the China Construction Bank, the Industrial and Commercial Bank of China (ICBC), the Agricultural Bank of China, and the Bank of China. These banks have recently set up branches in African countries with the aim of supporting Chinese companies overseas. Take, for example, the ICBC, which purchased a 20% share in the South Africa's Standard Bank. The latter is active in 18 African countries, and it is a major financial actor with regard to loan services in Africa.[38] This means that increasingly, Chinese financial actors, both private and state-owned, are becoming influential actors in the financial sectors of key African countries and gaining the ability to facilitate investments through bilateral arrangements and beyond. This is also evidenced by the internationalization of the renminbi and its previously noted recognition as foreign exchange currency in some host countries (e.g., Nigeria, Zambia).

On the inter-governmental level, the China-Africa Development Fund, an equity fund established in 2006 at FOCAC, supports Chinese companies whose trade and economic activities concentrate on Africa. Rather than providing credits, this fund invests in these companies in order to raise their financial capacities. It also provides consulting services. It is overseen by the China Development Bank, and projects are chosen on the basis of China's diplomatic

35 | Brautigam (2011a), 4.

36 | Brautigam (2011a), 4.

37 | Brautigam (2011a), 4.

38 | See the report on China's financial institutions by Executive Research Associates Ltd. (2009), 77-91.

and economic policies towards the continent. In addition, in 2009, the China Development Bank announced a Special Loan for African SMEs in selected sectors (export orientation, agriculture), using the mode of direct lending and tending.[39]

In Hong Kong, the "Go Out" strategy was mirrored by the creation of the China-Africa Business Council on 21 April, 2007. The Council, at that time under the presidency of Mr. Hu Deping, was established by the China Society for Promotion of the Guangcai Program, together with the United Nations Development Program and the Ministry of Commerce/China International Centre for Economic and Technical Exchanges.[40] It seeks to explore business opportunities among Hong Kong, the Mainland, and African businesses.

Summary

Five observations regarding Chinese land-consuming investments in SSA can be derived from the OFDI policy framework and its emergence. Firstly, these investments are part of a general trend of growth in Chinese overseas investments that is related to the adoption of a supportive OFDI policy over time, particularly since 2000. According to China's Ministry of Commerce, at the end of 2010, 13.000 Chinese investors or institutions were operating 16.000 overseas enterprises in 178 countries.[41] By that year, China had become a major source of global OFDI flows, moving into fifth place among all investor countries (preceded only by the US, Germany, France, and Hong Kong).[42]

Secondly, the comparatively low levels of OFDI stock nonetheless reveal that China has just begun to catch up with the international standards represented by the OECD countries.[43] The ratio of Chinese IFDI-to-OFDI, which in 2011

39 | Definition of "African SME:" solely African owned small and medium-sized enterprise (SME); Chinese owned SME in Africa; Joint African-Chinese private equity SMEs; contractual joint venture SMEs. Sectors supported: infrastructure, agriculture, tertiary industry. In 2009, the CDB developed and recorded 34 projects in Africa. These have a total value of USD 961 million in commercial or preferential loans, which does not count as aid but as market based financial support. See MOFCOM (2011b); and MOFCOM, Department of Western Asian and African Affairs (2010).

40 | See China-Africa Business Council (Hong Kong) website (http://cabc.hkbu.edu.hk/news6.html); and Africa Confidential (2014).

41 | MOFCOM (2011a), 79, 80.

42 | See MOFCOM (2011a), 79, 80.

43 | MOFCOM (2011a); 81. On the limitations of OFDI data from MOFCOM, see, for instance, Korniyenko and Sakatsume (2009), 3.

stood at a level of 1:0.09, was still below the world average of 1:1.11. In comparison, OECD countries have an average ratio of 1:1.14.[44]

Thirdly, despite being part of a general trend, the instruments summarized above apply particularly to the Chinese investments in African countries. Yet, it is important to note that it remains unclear to which extent Chinese land-consuming FDI projects have actually accessed or profited from these political and financial support mechanisms.

Fourthly, while these investments are unique within the Chinese country context, they are not exceptional in comparison to other countries' practices. Comparative research on FDI regulations shows that the home country measures implemented in China are rather common worldwide, particularly among the highly industrialized countries.[45] Also, Chinese development finance is far from being extraordinary in international comparison.[46]

Fifthly, the timeline of the emergence of China's OFDI framework underscores that it was a response to country specific developments and politico-economic constellations at certain points in time. These include the rise to power of the economically liberal faction within the CCP; the industrial demand surpassing the country's resource base; the increasing dependence on export markets; and the enhanced competition at home due to the IFDI-led growth strategy as well as WTO accession.

In summary, the above overview of frameworks, timelines, and objectives supports this research project's argument that it is crucial to account for the specificities of home country context and development in explaining why these investments are occurring. This section has done so by comparatively introducing the key features and events that have constituted and shaped the contemporary policy framework that supports Chinese OFDI in general and Chinese OFDI in Africa in particular. Such a detailed contextualization of the investments in country frameworks, timelines, and objectives also points to the importance of taking the structural (i.e. export dependency, limited resource base, or WTO accession) and contingent (i.e. Asian crisis or the victory of the liberal faction within the CCP) factors of a home country's development trajectory into account when assessing and analyzing land-consuming investments. As Marks so pointedly highlighted in his history of the modern world, in many cases events not plans shape great powers.[47] This insight emphasizes the limits of using highly functional theoretical approaches to capture why "land grabs" occur.

44 | Sun (2011), 8.

45 | Sauvant et al. (2010).

46 | See, for instance, Brautigam (2011a).

47 | Marks (2007)

3. Guiding Ideology

Chinese land-consuming OFDI projects do not transpire in an ideological vacuum. Rather, their facilitation and legitimation is embedded in an overarching and guiding set of ideas that is prone to shifts over time. This guiding ideology, basically a cluster of ideas that perform ideological functions, ranges over several policy sectors, taking the form of white papers, significant government speeches, or declarations at the end of FOCAC conferences. A closer look at the discourse surrounding these investments reveals the profound changes that have taken place in China's political landscape and development orientation since 1978. Instead of portraying the anti-capitalist and self-dependence dogma of Mao-era foreign policy, the new discourse is affected by the neoliberal terminology of "win-win" and embedded in the analytical frame of today's mainstream economics.[48] The latter has become entrenched in the thoughts of the different factions in the CCP,[49] and it is visible in official reports on China-Africa relations, such as the one by the Chinese Academy of International Trade and Economic Cooperation (CAITEC), which argues that the "sustained, rapid growth of China's economy has provided a broad and stable market for African products."[50] Phenomena that under Mao-era rhetoric would have been attributed to "imperialism" are now framed as "opportunities," and the exploration of resources is now referred to as serving both parties' "development needs" rather than representing unilateral "exploitation" and "plunder."[51]

However, this rhetoric is not confined to the realm of international economic relations. Instead, it reflects the 'trickle down' ideology that has been embraced by the political elite since the 1990s in national development programs. The strengthening of the (economically) liberal faction within the CCP led to the adoption of a development strategy that has become known as "playing two hands hard."[52] While one hand represents the ultimate power and political control by the party, the other hand has been used "to achieve economic growth by any and all means possible and available."[53] Under this development paradigm, economic growth has come to be seen as a guarantee of political regime stability, (allegedly) providing jobs and state revenues. Accordingly, it

48 | Compare, for instance, Deng (1974) and the whitepaper on peaceful development by the State Council (2011b).

49 | Cheng (2001).

50 | CAITEC (2010).

51 | The comparison is based on Deng Xiaoping's speech at the UN General Assembly (Deng (1974)) and contemporary government rhetoric of the Chinese Ministry of Foreign Affairs (MOFA) (MOFA (2006)).

52 | Oman (1 July 2011).

53 | Oman (1 July 2011).

is at the center of political agendas across all levels of government. In 2011, the mounting social unrest related to the high costs of this development approach led the Chinese government to change the principle of "strong state, wealthy people" into "wealthy people, strong state" (12th Five Year Plan),[54] indicating a new emphasis on social, environmental, and ecological aspects of development. Yet, in practice, the political control of the party still comes before the well-being of the people or the environment (see Table 5-1 for relevant publications articulating China's development ambitions and strategies).

Against this background, China's outreach to Africa since 2000 is seen in relation to China's construction of a "socialist market economy"[55] and is argued to be of "mutual benefit"[56] for the parties involved. While the first notion clearly establishes a linkage between domestic economic interests and development plans and overseas investments, the latter exposes the fundamental shift in China-Africa relations, from unilateral aid provision by China to Africa towards "mutually beneficial" cooperation, which is supposed to benefit Chinese economic interests as much as it does African countries (see Table 5-1 for key documents establishing this linkage).[57]

54 | Chinese Government (2011).
55 | State Council (2011a).
56 | State Council (2011b).
57 | Li (2006).

Table 5-1 – Key Documents Outlining China's Development in Relation to the Chinese Presence in Africa (selected)[58]

Speeches
1974 – Deng Xiaoping, Speech at the UN General Assembly
Government (White) Papers
2005 – White paper, "Peaceful Development Road
2006 – White paper, "China's Africa Policy"
2006 – Strategy paper, "11th Five Year Plan, 2006-2010"
2010 – White paper, "China-Africa Trade and Economic Cooperation"
2011 – White paper "Peaceful Development"
2011 – White paper "Foreign Aid"
2011 – Strategy paper, "12th Five Year Plan, 2011-2015"
Official Notice and Frameworks
1991 – National Planning Committee "Opinion"[59]
1999– State Council "Opinion"[60]
2000 – CCP "Suggestion"[61]
Since 2001– Emerging "Go Out" Framework for Overseas FDI[62]
Reports
2010 – China-Africa Trade and Economic Relationship
2011 – Statistical Bulletin of China's OFDI 2010

58 | The documents can be found in the bibliography section as follows: Deng (1974); State Council (2005); MOFA (2006); National People's Congress (2006); Chinese Government (2006); State Council (2011b), State Council (2011a); National People's Congress (2011); Wilkes and Huang (2011); Chinese Government (2011); CAITEC (2010); Ministry of Commerce (2011a).

59 | See description in Xue and Han (2010), 316-317.

60 | See description in Wilkes and Huang (2011), 9.

61 | Wilkes and Huang (2011), 9.

62 | See description of major reforms and notices under Xue and Han (2010); Wilkes and Huang (2011); Bernasconi-Osterwalder et al. (2013).

China's Africa Policy

In 2006, for the first time, the Ministry of Foreign Affairs published "China's Africa Policy" (January 2006),[63] a white paper that "present[ed] to the world the objectives of China's policy towards Africa and the measures to achieve them, and its proposals for cooperation in various fields in the coming years, with a view to promoting the steady growth of China-Africa relations in the long term and bringing the mutually-beneficial cooperation to a new stage."[64]

The document starts out by portraying Africa as a post-colonial continent with a "long history, vast expanse of land, rich natural resources and huge potential for development," and continues by identifying the guiding principles of China-Africa relations as "equality and mutual benefit, solidarity and common development."[65] At the same time, the Ministry describes China as the "largest developing country in the world, [which] follows the path of peaceful development and pursues an independent foreign policy of peace."[66]

With regard to the guiding ideology, the complementary concepts of "peaceful development" and "common development" are of special importance. Already in 2004 (and again in 2011), a foreign policy whitepaper titled "Peaceful Development" outlined this concept against the background of rising international concerns over Chinese investment activities abroad. Basically, the concept of peaceful development claims that China's development trajectory is different from that of Western countries in the past, particularly regarding its foreign economic policy. Contrary to Western countries' episodes of economic expansion and industrial restructuring, which were characterized by violence, domination, and colonization, China is framed as a responsible "big country," managing its current industrial 'need' to expand overseas in a peaceful manner that allows for the realization of the development goals of all parties involved. Therefore, it allows for "common development," which again matches the guiding principles of China-Africa relations, namely "mutual benefits," "equality" and "solidarity," as mentioned in "China's Africa Policy" (see Table 5-2). Multiple statements made by government officials apply this narrative, including the earlier quote from 2011 by Lu Shaye, then Director General of the Department of African Affairs of the Ministry of Foreign Affairs, on the nature and driver of Chinese-African relations.[67] China-Africa relations are said to be complementary in nature, meeting China's interest in new markets, resources, and business opportunities, and African countries' interest to increase their

63 | MOFA (2006).
64 | MOFA (2006).
65 | MOFA (2006).
66 | MOFA (2006).
67 | Gouraud (18 October 2011).

primary commodity exports, import technology to improve their economies' productivity, and improve their representation in international fora.[68]

It is worth noting that the 2006 "China's Africa Policy" also provides a detailed account of measures to be implemented to realize the "mutually beneficial" cooperation. Measures named in the political realm include enhanced governmental cooperation at all levels of government between the African continent and China, as well as cooperation in international affairs, with China speaking up for African interests in international institutions. Objectives in the economic field are to establish a China Africa Joint Chamber of Commerce and Industry (CAJCCI),[69] stimulate trade, facilitate investment, enhance agricultural cooperation, boost infrastructure projects, and foster "resource cooperation" while continuing with FOCAC ministerial conferences, amongst other projects. In the case of Chinese land-consuming investments in agriculture, the document states that the "focus will be laid on the cooperation in land development, agricultural plantation, breeding technologies, food security, agricultural machinery and the processing of agricultural and side-line products."[70]

68 | Gouraud (18 October 2011).

69 | See the website of the China Africa Joint Chamber of Commerce and Industry (http://www.china-africajcci.org/english/about_us.asp) for more information.

70 | MOFA (2006).

Table 5-2 – Guiding Principles and Objectives of "China's Africa Policy" (MOFA 2006)[71]

SINCERITY, FRIENDSHIP AND EQUALITY. China adheres to the Five Principles of Peaceful Coexistence, respects African countries' independent choice of the road of development and supports African countries' efforts to grow stronger through unity.
MUTUAL BENEFIT, RECIPROCITY AND COMMON PROSPERITY. China supports African countries' endeavor for economic development and nation building, carries out cooperation in various forms in the economic and social development, and promotes common prosperity of China and Africa.
MUTUAL SUPPORT AND CLOSE COORDINATION. China will strengthen cooperation with Africa in the UN and other multilateral systems by supporting each other's just demand and reasonable propositions and continue to appeal to the international community to give more attention to questions concerning peace and development in Africa.
LEARNING FROM EACH OTHER AND SEEKING COMMON DEVELOPMENT. China and Africa will learn from and draw upon each other's experience in governance and development, strengthen exchange and cooperation in education, science, culture and health. Supporting African countries' efforts to enhance capacity building, China will work together with Africa in the exploration of the road of sustainable development.
The one China principle is the political foundation for the establishment and development of China's relations with African countries and regional organizations.

In many cases, this rhetoric of mutual benefit, learning, solidarity, and common development is replicated when outlining inter-governmental project goals (see Chapter 4), but it is also present on the private firm level. For example, the "murky" China International Fund Ltd. (CIF) uses a Chinese allegory tracing back to the philosopher Laozi to show how its investments in Africa will serve the goal of "common development" and "mutual benefit" by transferring technology and know-how on the one side, and creating new business opportunities on the other: "Give a Man a Fish and you Feed him for a Day. Teach a Man to Fish and You Feed Him for a Lifetime" (see Figure 51).[72]

71 | MOFA (2006), part III.

72 | To learn more about the dubious reputation of this Fund, see a summary of critical reports on the blog by Brautigam (19 October 2011).

Figure 5-1 – China International Fund Information Material (CIF 2011)[73]

Summary

China's changing ideological orientation clearly correlates with the shifting interests of its growth and export-oriented and resource-intensive (political) economy. Undoubtedly, such an economy cannot function along the lines of an anti-capitalist ethics framework. That old framework, focusing on "self-dependence" and "autonomy" and assuming a zero-sum nature of international economic and ecological exchanges conducted on a capitalist basis, was the common Chinese standpoint prior to the opening up of the country. To the degree that the current ideology basically denies that there are zero-sum aspects in the above outlined bilateral relations that might make one of the two partners worse off—from an ecological, economic, and/or social point of view—the ideological discourse reveals an affinity with mainstream economics framings of development and cooperation that are embedded at the level of international economic and aid governance.

At the same time, the above presented information/publicity brochure of the China International Fund Ltd. (Figure 5– 1) reflects the slightly asymmetric conception of this "mutual benefit" relationship that is outlined in "China's Africa Policy" and other significant publications mentioned before. It anticipates the exchange of resources from African countries for technology and

73 | "Give a Man a Fish and You Feed Him for a Day. Teach a Man to Fish and You Feed Him for a Lifetime." This saying is reported to date back to Laozi, a philosopher of ancient China who developed the strain of Taoism (dao-ism). Chinese characters displayed are as follows: 非洲 (feizhou) = Africa; 中国 (zhongguo) = China; 鱼 (yu) = Fishery; 渔(yu) = Fish. The sentence plays with the multiple meanings of the word "yu" (jade alias wealth; fish; fishery). The comic is taken from the information brochure of the China International Fund (2011), 27-28.

know-how from China. For the moment, this is largely a reflection of the economic set-up of the partnering countries, but historical evidence highlights that such asymmetric exchanges carry the danger of becoming permanent. At the least, they are hard to overcome, especially once they are locked into existing societal and economic structures. The following section will expand on the key characteristics of Chinese political economy because they are important to understanding the core traits of this shift towards liberalism presented above from the viewpoint of interests involved.

4. Political Economy

Given the complexity of actor constellations in the context of land-consuming investments, but also in view of the previously described discursive shift since the 1990s, it seems vital to outline the key characteristics of the investor country's political economy that might explain both phenomena in the larger context of home country development. Evidently, referring to the dominant role of the state in China's economy falls short of capturing the specificities and/or fails to account for conflicting interests.

In this section, the argument is made that three aspects of the political economy are of particular relevance when contextualizing and explaining—in the home country context—the guiding ideology, as well as the multitude of Chinese agents, involved in overseas investments in SSA. These aspects will be discussed under the headings of state fragmentation; the rise of bureaucratic entrepreneurs; and shifting state-market relations. The characteristic mixture of these three aspects has been summarized by Feng Xu under the concept of "neoliberal governmentality."[74]

State Fragmentation

Though this is often overlooked, the emergence of the OFDI framework has been the outcome of a process of political reform. That is, despite the absence of a reform in China towards a "multiparty system and the separation of powers,"[75] it was a political reform process which created the foundation for the economic transition outlined above. This reform process, which has yielded an increasing "fragmentation of the central government,"[76] as well as the "rise of sub[-]state actors," has taken place in the areas of "state governance and of the

74 | Feng (2009), 432.
75 | Yu (2008), 23.
76 | Bo (2011).

administrative systems of the state."[77] As a result, Feng Xu argues that a system of "neoliberal governmentality" has emerged:

> Although China is in broad terms an illiberal polity, the Chinese state is increasingly adopting a neo-liberal way of governing or neo-liberal governmentality. Following Michel Foucault, "governmentality" refers to forms of governance that utilize a network of state and non-state actors, with the specific aim of steering individuals (both individual persons and individual institutions) to govern themselves in the market economy.[78]

Increasingly, governance of areas such as energy, agriculture, investment, and labor, all of which are related to Chinese land-consuming OFDI, reveals forms of neoliberal governmentality in the way it is organized. Particular characteristics are the engagement of multiple actors from the public and private sectors, the decentralization of approval processes to lower levels of government, and the rising degree of "rule by regulation" in the governing of these policy areas.

Importantly, Foucault coined the term "neoliberal governmentality" to describe a middle ground of economic governance between laissez faire and state collectivism.[79] In addition, Lemke highlighted that the term defines the fundamental change in how a particular socioeconomic and political order is legitimized: "Collective wealth produced a social consensus on a state that was no longer defined in terms of a historical mission but legitimated itself with reference to economic growth. Economic prosperity revealed the legitimacy of the state for all to see [...]."[80] Moreover, from the perspective of liberal and neoliberal political and economic theories, the term 'neoliberal governmentality' seems to capture elements of both definitions. On the one hand, the economic liberalization processes underway since the 1980s have led to greater importance being placed on the rule of law and markets in the governance of China's economy; however, the (altered) state remains central in establishing these institutions and governing this process.[81] On the other hand, some areas have become increasingly deregulated, and (central) state control has been significantly reduced.

This transformation is reflected in the increasingly elaborate "Go Out" framework as well as in the composition of OFDI. Not only have approval processes been transferred to the provincial level, but provincial actors have also begun to act as foreign policy entrepreneurs and investors. For instance, a pilot farm in

77 | Yu (2008), 23.

78 | Feng (2009), 432.

79 | He attributed this form of governmentality to Germany, and acknowledged that different countries have different degrees of neoliberalism and governmentality in their socioeconomic orders. Foucault(2008), 192-194.

80 | Lemke (2010), 195-197.

81 | See, for instance, North et al. (2009), 45 (Footnote 16).

Mozambique is the result of inter-provincial cooperation between Gaza province and Hubei province.[82] In some cases, provincial overseas activities have even been in direct conflict with the foreign policy objectives of China's central government.[83] Moreover, the major actors and institutions of the OFDI governance system have been created rather recently in order to meet the administrative challenges posed by the new complexity of economic relations and international development objectives; take, for example, MOFCOM. This ministry was established in 2003 and given the responsibility of supervising Chinese OFDI in the domestic and international contexts while also coordinating foreign aid policy and instruments (funds and loans).[84] The institution is a merger of multiple functions that were carried out by other departments prior to its existence. Another example is the State-owned Assets Supervision and Administration Commission (SASAC). It was created as an 'ad hoc' institution in 2003 and tasked with the management of national SOEs, including supervision and approval of their OFDI projects. It operates on the premises of the Ministry of Finance,[85] and since its establishment, it has constantly advanced FDI related deregulation. Likewise, the acting Premier, Li Keqiang, and the State Council have asked government agencies to further deregulate and reduce "unnecessary administrative approvals."[86]

The Rise of "Bureaucratic Entrepreneurs"

It is crucial to understand that in spite of the aforementioned political reform process and the multiplicity of actors involved in land-consuming overseas investments, the state remains a dominant actor in both the domestic economy and outward investment activities. The political reform was the result of a choice by the ruling elite to transform the economic structure while ensuring the "continuation of the elite strata."[87] Similar to the industrial revolution in Great Britain and that country's subsequent overseas expansion, political actors in China gave up a certain portion of their political and legal privileges while becoming "new entrepreneurs and legislators" in a process that enhanced the intermingling of political office and economic opportunity.[88]

The concentration of economic power within the multi-level realm of the state is reflected by the fact that among the 500 largest Chinese enterprises, the so-called "China 500," almost all of the assets (96%) and profits (85%) were

82 | Chichava (2013), 2, 9-11.
83 | Chen and Jian (2009).
84 | See Xue and Han (2010), 308-309.
85 | See Xue and Han (2010), 308-309.
86 | Wildau (10 May 2013).
87 | Cheng (2001), 241.
88 | Cheng (2001), 241.

held by SOEs in 2006.[89] Currently, the Chinese government is also trying to increase its influence over the private sector, which is said to contribute more than two thirds of the annual growth in GNP.[90] A rising number of private enterprises feature a party cell in their organizational set-up.[91] However, it seems that in some cases, private companies undertake such CCP related activities primarily as a way to present themselves to relevant cadres and gain access to funding. This makes sense in the context of more than two decades of financial repression and a re-tightening of economic control by the political elite that has put the private sector at a disadvantage, both compared to state-owned enterprises and international competitors.[92]

Since China's opening up, this process of the "marketization of power"[93] has turned state officials into bureaucratic entrepreneurs. At the same time, the party has opened its membership regulations to allow private entrepreneurs in the CCP. By 2000, 20% of private entrepreneurs were said to have become party members. This trend enhances the synergetic relationship between public and private interests, particularly since a growing number of entrepreneurs belong to local party committees that exercise great influence at the local level.[94] At the 18th National Congress of the CCP in 2012, Liang Wengen, the billionaire entrepreneur, was elected as a delegate for the second time, the first occasion being in 2007. Wengen epitomizes this intermingling of political power and economic wealth, as he had originally been a government official before he became an entrepreneur.[95]

With regard to Chinese OFDI, this dominance of the state, together with the shifting interest structure of the actors involved, has several implications. On the one hand, overseas investments do reflect the dominance of state actors within the domestic economy: most (recorded) OFDI projects were still being undertaken by state-owned enterprises as of 2013.[96] In Chinese land-consuming OFDI in Africa, research by Jansson indicates that SOEs usually dominate large-scale investment projects in the oil and construction sectors, while private enterprises tend to have small-scale investments in agribusiness, manufacturing, and communication (also see Table 5-3).[97] Among the investments in the "land grab" literature that were studied for this book, the majority

89 | Rudman (2006), 34.

90 | BloombergBusinessweek.com (21 August 2005).

91 | English.news.cn (21 June 2011).

92 | Fewsmith (2001), 170-176.

93 | He (13 November 2012). Also see He (2002).

94 | Rudman (2006), 50.

95 | Tây Sơn News Wire (27 September 2011); and ChinaDaily.com.cn (12 November 2012).

96 | Davies (2013), 8.

97 | Jansson (2009), 3.

was undertaken by provincial and central SOEs in the mining or construction sectors, or by those SOEs active in the agricultural Friendship Farms. On the other hand, it is important to highlight the changing interest structure of state actors, which is reflected by the discursive turn outlined in the previous section on guiding ideology. State actors are increasingly in it for profit, which they then manage themselves.[98] Given that capital investments in Africa are said to have a 60% higher return than in Asia,[99] this detail seems essential for explaining why these investments take place as they do, particularly against the Chinese background of declining returns, domestic market saturation, limited economies of scale, and high wealth inequality.

Table 5-3 – Three Levels of Chinese Engagement in Africa (Jansson 2009)[100]

	ACTORS	**ACTIVITIES**
Level 1 – government	Primarily Chinese and African governments and embassies, government departments, banks (China Export—Import; China Development Bank), and other financial institutions	Bilateral relations and official visits, FOCAC, party to party relations, policy bank financed concessional finance agreements, donations (stadiums, parliament buildings, hospitals), development aid, debt relief.
Level 2 – larger company level	Chinese state-owned enterprises (SOEs) and larger private Chinese companies. These actors mostly have close relations with the Chinese Embassy in the respective African country, but they do not always work on projects financed by the Chinese government.	• Large-scale infrastructure undertakings financed either by Chinese concessional loans, the AfDB, the WB, the African government, or other financial institutions. • Extractive industries: oil, minerals, timber. • Larger manufacturing/assembly plants.
Level 3 – small-scale economic activity level	Small-scale traders, owners of processing plants, and 'fast-moving' businessmen who entered African countries independently. Between these actors and the Chinese Embassy there is often very little interaction, assistance, and/or control.	• Import and trade in consumer goods, mineral processing, timber export, other small-scale economic activities.

98 | Also see He (13 November 2012).
99 | Liu (4 November 2011).
100 | Jansson (2009), 3 (Table 1).

Changing State-Market Relations

The material presented above highlights two aspects of the changing state-market relationship that are critical to understanding how and why Chinese investments occur. Firstly, the central state is not necessarily in control of what is happening and, secondly, the strong position of the state does not imply that these investments are not for profit. Rather, the high degree of state fragmentation has provided discretionary power to the provinces, and the emergence of bureaucratic entrepreneurs has given rise to changing interest structures and an enhanced focus on profit, together with a development discourse that matches this interest structure and profit orientation.

Adding to these increasingly complex state-market relations is a third aspect: the SOE management reforms that began in the 1980s (these were briefly alluded to in the 'home country measures' section of this chapter). In fact, over time, the Chinese government and the CCP introduced a policy (*zhengqi fenkai*) that separated "government functions from business operations."[101] As a consequence, "state-owned companies of all kinds have gradually been losing some of the advantages once conferred by their relationship with the state."[102] While SOEs gained leeway in terms of choosing CEOs, and now can hold on to the profit they generate, they are also held accountable for their failures by state officials, who have increasingly become distanced from SOEs. As a consequence, a rising number of SOEs has gone out of business.[103]

This complex relationship is reflected in Chinese land-consuming OFDI in SSA, as even agricultural cooperation projects are operated by Chinese state farms on a for-profit basis, often without financial support from the government.[104] The complex nature of the relationship is also evidenced by the fact that construction sector SOEs have turned into contract bidders that pursue their own business strategies. Even in the case of China's policy banks, the marketization of state interests, as well as the effects of the SOE management reform, is of fundamental importance. While bank loans are "heavily influenced by government policies and are not to operate in full compliance with the market rules,"[105] as outlined earlier, banks are not permitted to accumulate debts and/or engage in unprofitable business. This also applies to the China-Africa Development Fund, which is expected to generate returns on the support it provides to Chinese businesses investing overseas.[106]

101 | Woetzel (8 July 2008).
102 | Woetzel (8 July 2008); Wang (2002).
103 | Woetzel (8 July 2008).
104 | Brautigam (2009).
105 | Brautigam (2011a), 4.
106 | Brautigam (2011a), 4.

Also, the assessment of private investors benefits from the differentiated analysis of state-market relations. While thus far private entrepreneurs have hardly profited from Chinese funding or state institutions when investing overseas,[107] research shows that their motivation to go abroad is often related to the state dominated political economy back home in two main ways. On the one hand, their motivation seems to be related to the crowding out effects of IFDI policies within China, together with domestic market saturation and unfavorable regulations.[108] On the other hand, a detailed study on the practices of Chinese companies in Angola has shown that Chinese privately owned enterprises (POEs) seem to operate in the periphery of SOEs, with the former taking on activities that the latter outsource from their overall production processes. This indicates that an isolated assessment of SOE and POE activity might miss the pull-and-push dynamics that link the two types of enterprises.[109]

Summary

The assessment of state-market relations underlines that key economic and political changes since the 1990s match the shifting development discourse in which Chinese land-consuming investments are embedded. The economic and political changes also explain the way these investments take place, namely their use of modern development finance, for-profit orientation, and/or the complex actor constellations.

The intermingling of political power and economic wealth, the rise of substate actors, and the linked dynamics between SOE and POE activity characteristic of China's political economy are easily overlooked by those explanations of Chinese land-consuming FDI that assume that these investments are primarily conducted by state agents with the intent to secure resources. Such a narrow description also tends to overemphasize differences in relation to liberal countries. Take the example of home country measures applicable to Chinese OFDI: from a comparative perspective, these are very similar to the institutional landscape that has been in place in industrialized countries for a long time. In fact, China is just catching up to the range of mechanisms that companies in OECD countries have at their disposal. The greatest finding of this section might indeed be the high degree of institutional similarity (rather than uniqueness or innovation) that characterizes Chinese engagement with African countries when compared to Western relations with the continent—a

107 | Jansson (2009); and Brautigam (2009), 257.

108 | Rui et al. (2010), 182.

109 | Action for South Africa (2011), 1; also see Belchior (2010). Overall, activities of privately owned enterprises (POEs) are under-researched, and POE projects are hardly mentioned in “land grab” databases.

fact that is particularly interesting with regards to the South-South cooperation rhetoric often applied not just by Chinese and African partners, but also by multilateral organizations, such as the FAO.[110]

5. Development Context

China has moved from close to zero OFDI activity to becoming an important investor country within less than three decades. From this historical perspective, but also with regards to China's more recent decision to proactively promote such capital exports, the linkage of development trajectories and OFDI promotion deserves closer attention. After all, OFDI has become an important component of the country's contemporary foreign economic policy as well as its diplomatic efforts. Also, FDI research has rightly noted that *"OFDI is one part of the country's overall strategy of economic development. It is a means to an end, not the goal itself."*[111] The next paragraphs will bring together the various threads about OFDI in the context of Chinese development that appeared in earlier sections. Ultimately, this section provides the foundation for the comparative discussion of role of OFDI in the context of home country development.

It is argued that Chinese land-consuming investments are part of a trend by the Chinese government to further internationalize development in the search for markets, resources, profitable business, and/or political allies, and in the face of rising resource pressures, external dependencies and high international competition.[112] In an international comparison, this globalization of Chinese development via its "emerging transnational companies" is nothing out of the ordinary. For instance, authors such as Hirsch have drawn attention to the fact that transnational or multinational enterprises play important roles in a home country's social and economic development.[113] Their foreign supply sourcing and embeddedness in international markets are, for instance, important in terms of facilitating international economies of scale in spite of the problem of domestic diseconomies of space. They also enable industrial upgrading and provide institutionalized access to resources looked for in the particular industrial setting:

> The MNEs' value activities lower the barriers separating countries from their foreign sources of supply and their international markets. This enables home countries to increase the benefits they derive from the international division of labor, exploitation

110 | Goetz (2018) (forthcoming).
111 | Broadman (2010), 331.
112 | Wilkes and Huang (2011).
113 | Hirsch (2012), 1-2.

of economies of scale and the ownership advantages of their MNEs. Other things being equal, an extension of the global reach achieved through cross-border value activities is likely to compensate for the tax loss and the diminution of sovereignty implied by outward FDI.[114]

At the same time, of course, it can be argued that the wave of deregulation in the 1990s, together with advances in transportation and communication, has changed the nature of state-market relations, thereby rendering the home country's advantages that it can obtain through its companies' OFDI activities (even) less feasible. For instance, transnational enterprises increasingly threaten governments to exit their country's economy and relocate their production activities to other countries in the case of unfavorable policy measures. Moreover, corporate actors pursue a narrow shareholder value objective, and tax evasion is widespread. Yet, it seems that in many cases, the perception that the paybacks of the "extension of the global reach achieved [by companies] through cross-border value activities" outweigh the costs still prevails among policy makers. Perhaps this is partly due to the lack of theorized alternatives, but it also partially results from the fact that policy makers are often closely interlinked with corporate actors and interests, as the specificities of China's political economy have perfectly illustrated.

According to the outline of the 11th Five Year Plan (2006-2010), which has become the foundation of China's evolving OFDI policy framework, the policy stance towards OFDI seeks to promote five developmental objectives.[115] First, going overseas shall raise companies' competitiveness through enhanced international economic and technical cooperation, which will provide them with new opportunities, economies of scale, and knowhow. Second, OFDI shall support the export sector by means of "overseas project contracting and labor service cooperation."[116] Third, the sourcing of domestically scarce resources overseas is seen by the government to address the dramatic environmental impact of China's development trajectory while securing stable and efficient supplies. Fourth, overseas research and development activities are intended to improve the technological base and upgrade relevant sectors. Fifth, OFDI is framed as a means to globalize the economy by internationalizing production chains and business operations. This (foreign) economic strategy is complemented by an IFDI strategy that aims both to regulate IFDI such that it becomes "greener" and advances the technology and knowhow transfer (see also the 12th Five Year Plan, 2011-2015).[117]

114 | Hirsch (2012), 1.

115 | Wilkes and Huang (2011).

116 | Based on information provided by Wilkes and Huang (2011), 9-10.

117 | Chinese Government (2011).

Clearly, the above-presented policy choices and official rhetoric that Chinese land-consuming FDI projects are reflective of and embedded in cannot be fully captured without looking more closely at the specific development challenges that the country has faced and that increasingly threaten the political elite. China's development path since opening up has been summarized by Wenran Jiang as "heavy industrialization, labor- and capital- intensive manufacturing industries, export-led growth, low labor cost and high environmental damage."[118] By 1993, the country had turned from petroleum exporter to petroleum importer.[119] Moreover, the development trajectory has resulted in low worker welfare, the stagnation of political reforms, and a burgeoning rise in social (wealth) inequality in a context where economic opportunity is linked to public office.[120] Together with the intense environmental consequences[121] of the country's rapid urbanization,[122] industrialization, and modernization processes, these factors have come to pose a challenge for the country's social stability, as well as its food security,[123] and they are viewed as matters of national security that have the potential to threaten the stability of the political party regime.

The IFDI-led export growth strategy has also had a negative impact on domestic enterprises. In many cases, these struggle to compete with foreign companies because they lack access to credit services, they have to deal with political interference, and are less embedded in international markets. As one entrepreneur going overseas put it: "The best food has all been eaten up by the global giants and what we can do is to have those leftovers."[124] At the same time, the country's overall industrial productivity and efficiency did not necessarily improve all that much through foreign investment.[125] To a certain degree, China has been locked in the existing international division of labor, and it has become the workshop in the international production line of foreign compa-

118 | Jiang (2009), 587.

119 | Vissers (June 2013), 1-7.

120 | Jiang (2009), 587.

121 | WB and SEPA (China) (2007).

122 | Liu et al. (2005), 450.

123 | While China managed to maintain a self-sufficiency rate of 95% with regard to food security, defined as grain security, it became a net importer of certain crops and products such as soybeans, vegetable oils, and sugar. For example, soybean imports today cover three quarters of domestic demand. Agricultural investments in Latin America and Eastern Europe (e.g., Bulgaria) try to grow these crops for export to China. See for instance Economic Observer (11 February 2012) and Council of Ministers (26 November 2013).

124 | Rui et al. (2010), 182.

125 | Jiang (2009), 589. Moran (2011), 64-71.

nies, resulting in less skill and technology transfer than had been hoped for by the political elite.[126] The current challenge is to avoid falling in the so-called "middle-income trap" that many emerging economies are confronted with. That is, China increasingly loses its competitive edge "against low-income countries at low wages;"[127] but, at the same time, the country has difficulties when trying to "compete with high-income countries on innovation and higher value production."[128]

Importantly, the changes in China's OFDI policy preferences and foreign policy regarding Africa have occurred in the context of these internal and external development challenges. Significant events in this process were the country becoming a net oil importer (1992); the collapse of export markets during the Asian crisis (1997); and the strong domestic competition that resulted from the IFDI-led development strategy, as well as the WTO accession, which negatively impacted indigenous enterprises due to their limited access to credit and world markets (2001). Moreover, the mounting socioeconomic and ecological pressures have pointed to the need to upgrade economic activity back home.

Regarding interests, these reforms are part of the political elite's continued pursuit of economic growth as a way to stabilize and legitimize the political system though economic success. Moreover, they reflect the interests of the country's resource intensive and export-dependent (state-owned) manufacturing industry, which functions as the country's economic backbone and plays an important role in the accumulation of foreign reserves. In addition, Chinese land-consuming OFDI also involves a number of actors which respond to these policy changes, such as workers that hope to improve their (family's) livelihoods; construction companies that establish themselves as independent contract bidders; and/or POEs or SOEs that seek to make their fortune overseas, evading political interference and/or crowding out effects of IFDI activities back home.

Summary

Land-consuming OFDI in SSA is part of China's resource and expansion diplomacy that has ensued since the late 1990s, picking up speed in 2000. Overseas investments by Chinese companies emerged as part of the toolbox available to the Chinese government to pursue certain interests and policy objectives. At the same time, the paths taken and choices made regarding the Chinese presence in African countries can only be fully grasped by revisiting the core

126 | Moran (2011), 64-71; Gaullier et al. (2005).
127 | Zhuang et al. (2012), 11.
128 | Zhuang et al. (2012), 11.

traits of the Chinese political economy, such as the rise of bureaucratic entrepreneurs, the marketization of power, and the emergence of a "neoliberal governmentality,"[129] all of which have been conducive to a promotional OFDI policy stance and guiding ideology.

The previous assessment of the home country context also demonstrates that China is not an isolated country; rather, the international context matters. The choice of instruments, as well as the guiding ideology characteristic of Chinese OFDI in SSA, reflects major traits of mainstream economic theory that are embedded in the international economic and aid governance architecture. Interestingly, the international context is crucial for understanding the Chinese foreign policy concept of "peaceful development" that aims to differentiate China's expansion overseas from the violent history of the North. Regarding the liberal international context within which Chinese expansion occurs, the "peaceful development" idea seems less 'innovative' than the Chinese government wants it to appear. Instead, China is profiting from an international economic system that allows countries and societies to expand their consumption and production patterns beyond their sovereign borders without waging war. In contrast to those of the late 19th century, contemporary overseas investments are rationalized within a "win-win" narrative and are part of a technical regime of international economic governance that regulates how they should take place but does not query their legitimacy, such as the WTO or BITs.[130]

Moreover, other features of the international context, such as the price volatility of international energy markets, their quasi-monopolistic structure, and/or the reluctance of Western governments and companies to integrate emerging Chinese companies into the international (energy) markets play a role in explaining why these investments occur.[131] These aspects have led the Chinese government to search for new partners—such as African countries—to facilitate the economic expansion and globalization process that land-consuming FDI is part of. At the same time, Chinese OFDI is not a unilateral undertaking: African governments play a crucial role in shaping which investments take place and how.

This section will conclude by looking at the question of whether, in fact, OFDI lives up to the rhetoric used for its legitimization. Can we say that land-consuming FDI activities in Sub-Saharan Africa are a success story from

129 | Feng (2009), 432.

130 | See Chapter 3 and Trentmann (2008), 7. Consequently, this raises the interesting question of what such a "peaceful development" approach would look like under a different international architecture which acknowledged zero-sum aspects of international social, ecological, and economic relations.

131 | Goldthau and Witte (2010).

a home country perspective, particularly given the empirical evidence which underlined that many of the stated goals attached to FDI projects in the recipient countries did not materialize? Again, it appears that the reality of these investments, as well as their utility, is rather complex.

From the official Chinese perspective, these investments are said to "deepen the development of international energy resources and [...] processing cooperation."[132] In international comparison, China is just catching up to international practices and standards of development that have a long tradition within OECD countries. Yet, there remains great skepticism among the Chinese public, which largely seems to oppose OFDI.[133] In particular, overseas investment projects that construct hospitals or schools have been commented on with rising sarcasm by Chinese netizens who point to the rural areas in China where such services and infrastructure are largely missing. In view of the high social costs of the Chinese development trajectory over the past three decades, characterized as it is by a dramatic increase in social wealth inequality, the denial of social rights, and very low wages, it seems to be widespread public opinion that these investments, grants, and social development measures should instead be put to work in the Western provinces and rural areas, which for the time being remain decoupled from the overall development process.[134] The aspect of high wealth inequality[135] is particularly interesting from a historical perspective. This usually curbs demand in home countries while also contributing to an unprecedentedly high level of capital to be exported. Accordingly, calling Chinese land-consuming OFDI a success story at this point does not capture the complexity associated with OFDI from the perspective of home country development.

6. Conclusion

Given the multifaceted dynamics at play, this chapter has not attempted to provide a monocausal explanation of how and why these investments take place as they do. As Marks has rightly noted, "[m]onocausal explanations are too simple to take account of the complexity of people, societies, and historical change."[136] However, the key argument that has been put forward in this case study is that these investments are part of several (interrelated) drivers, namely

132 | See National People's Congress (2011); and State Council (2012).

133 | Broadman (2010), 330.

134 | Broadman (2010), 330; Chinese Academy of Social Sciences and UNDP China (2013), 1-13.

135 | Chinese Academy of Social Sciences and UNDP China (2013), 1-13.

136 | Marks (2007), 13.

Chinese efforts to diversify the country's resource supply, open new markets, to internationalize production processes, and strengthen the "soft power" in international relations.

Moreover, the review of the home country context has highlighted that China has moved away from self-identifying as a planned economy aimed at a high degree of autarky, and transitioned towards a "socialist market economy"[137] that is increasingly integrated in the world economy. Responding to particular events in time, such as the growing external resource dependency, the collapse of its main export markets during the Asian crisis, the unfavorably tough competition between foreign investors and domestic industry, and the untenably high social and environmental costs of development, the government has adopted a promotional policy stance towards OFDI.

Since 2000, Chinese SOEs going overseas operate in an increasingly elaborate institutional framework, and they benefit directly or indirectly from the wide range of home country measures supporting overseas activities, such as commercial diplomacy, economic cooperation projects, and/or new forms of development finance. At the same time, substantial reforms of corporate governance have given SOEs more leeway from state control in their business operations. Importantly, these ideological shifts and the reform processes are part of profound political reforms that have occurred since the 1980s which have significantly changed the country's political economy. While the state remains the central actor, the rule of law and markets play a greater role in China's economic governance; regulatory procedures have been eased; a new actor group of bureaucratic entrepreneurs—i.e. officials who use their favorable political positions in the system to profit economically—has emerged; party structures have been opened to private sector actors; and competencies in particular policy fields have been decentralized, increasing the importance of substate actors (see brief summary in Table 5-4).

Together, these home country features explain the core empirical characteristics of Chinese land-consuming OFDI in SSA. Accordingly, the sectoral composition, with its focus on resources and manufacturing, reflects the home country economic setting, i.e. the manufacturing industry's interest in external resources and business opportunities to continue and/or expand its operations; and the political elites' focus on growth as a source of wealth and political stability. This also explains the minor share of agricultural investments in SSA, as these have not been a priority. Instead, SOE-run agricultural and construction projects often started at the request of African governments that wanted to reactivate the former friendship farms and build infrastructure in exchange for resources. From the Chinese perspective, these are part of a "soft power" strategy to build up a reputation as a peaceful emerging power that acts to the

137 | See, for instance, People's Daily (13 July 2005).

benefit of its partners. At the same time, the labor exports that are accompanying the increases in trade with and investment to SSA highlight the very low levels of worker welfare in the home country—the competitive edge of Chinese companies seemingly remains to be their low costs.

Chinese investments in SSA also reflect the increasingly elaborate home country measures. As a result of the newly established forms and forums of China-Africa economic cooperation, Chinese trade with, and OFDI in Africa has risen significantly. At the same time, the altered quality of China-Africa cooperation mirrors the profound political reforms and related changes in the ideological superstructure and economic governance that have taken place since the 1980s. As a consequence of the rise of bureaucratic entrepreneurs, the adoption of mainstream economic theory to guide foreign and industrial policy, and the reform of SOE corporate governance back home, Chinese companies that have been active in SSA for decades no longer act only as non-profit operators of aid projects. Using the new leeway at their disposal when doing business (for private or public gain), they have often become successful contract bidders (e.g., construction companies) and profitable transnational companies (e.g., agricultural companies). Even in the case of development finance and economic cooperation projects, SOEs apply a for-profit rationale in their operations. This also has implications for the role of land in these investment projects. In projects that use land as space for productive activities (e.g., manufacturing and construction), the main driver is clearly to profit from the productive activities rather than to secure land. However, even in the case of resource exploitation projects, products are often not intended for consumption back home, nor are they allocated outside of domestic, regional, or international markets. Instead, land consumption in almost all cases is related to the profit orientation of related operations.

Finally, this chapter has shown that Chinese OFDI is characterized by a diversity of actors, public and private, with divergent and often conflicting agendas. In particular, the rising importance of sub-state actors in the Chinese development context explains the significance of provincial actors in China's overseas activities. Sometimes the latter can even evolve to the extent of non-conformance with central state policy objectives (see summary of findings in Table 5-4). From a micro-perspective, the interests in these investments are many: on the part of the political elite they represent a welcome mechanism to ensure the continued pursuit of economic growth as a way to stabilize and legitimize the political system though economic success. Moreover, they reflect the interests of the country's resource-intensive and export-dependent (state-owned) manufacturing industry. They also involve a diverse range of actors that hope to improve their (family's) livelihoods; establish themselves as independent contract bidders; and/or seek alternatives to the political interference and/or crowding out effects back home.

In conclusion, the multiplicity of actors involved in the investments, as well as their entrenchment in mainstream economics, raises the question of what exactly makes these investments *Chinese*? The widely made distinction between state-backed and private investments, on the basis of which the difference between Chinese and non-Chinese investments is usually discussed, fails to answer this question in a meaningful way while oversimplifying state-market relations in the context of OFDI. Instead, the factors that make these land-consuming OFDI activities *Chinese* are to be found in the specific combination of industrial set-up, development trajectory, contingent events, ideology, and political economy that were outlined above.

More broadly, reflecting on the role of land-consuming OFDI in the context of the home country's development trajectory, these investments are part of a trend to "catch up" and establish an open economic system that can meet the resource and export interests of the manufacturing industry, which has become the backbone of economic development and foreign exchange accumulation since the 1990s. Looking beyond China's industrial set-up, the investments reflect the specificities of the country's current development context, and especially its challenges. For instance, the problem of social development, which is reflected in surplus labor and low wages, is tied to both increasing migration and the ability of Chinese companies to gain a competitive advantage. Other key challenges in the context of China's development include resource dependency, which is reflected in the expanding resource diplomacy that these investments are part of; unsustainable levels of pollution, which have led to a push toward offshore pollution processing segments; and heightened competitive pressures – following the IFDI-led development approach and WTO accession—that have led to the search for knowhow and technology abroad.

The consequences of this development for the broader development context of China remain to be seen. While the approach since 2000 (and up until 2016) has strengthened investment, trade, and aid relations with African countries, it is unclear how capital exports will improve worker welfare or productivity levels back home. While they might help to diversify resource supplies, establish trading hubs to access European markets, engage in economic opportunities on the African continent, stimulate exports of manufactured goods, and establish economies of scale, they also represent an outflow of capital that will no longer be available for investment back home. The capital outflow also portends a potential loss in domestic jobs and the danger that large companies might move permanently offshore. Though it might be too early to draw any strong conclusions, there is no evidence to suggest that we are witnessing the off-shoring of Chinese industry's polluting and energy-intensive operations to African countries (in 2016).

Table 5-4 – Brief Review of the Home Country Context and Chinese OFDI in SSA

Category	Home Country Context	Chinese OFDI in SSA
Devel-opment context	Since opening up in the 1980s, the country has focused on the growth of its resource-intensive manufacturing industry, resulting in rising resource dependency, overcapacity, and high social and environmental costs.	The resource-intensive manufacturing industry is reflected in the sectoral composition of Chinese investments, namely in the focus on the resources sector and manufacturing operations. The small share of agricultural projects is a result of economic cooperation and part of China's resource diplomacy.
Home Country Measures	Reform processes since the 1990s, and the "Go Out" OFDI framework since 2000, have led the country to catch up with international standards.	It is unclear how much support companies receive. However, OFDI in Africa could potentially profit from various measures, such as commercial diplomacy, regulatory reforms, and newly introduced forms of development finance.
Guiding Ideologies	The country has shifted away from a focus on self-sufficiency and adopted a growth agenda for development that follows mainstream economic theory in many respects.	The ideological shift is reflected in projects that have been operating for a long time in Africa and have recently moved from an aid to business management approach.
Investor Legacy	While China has only recently become an important source of investment, it shares a long history of aid and political cooperation with African countries.	China builds on relations established since the 1950s with African countries and the related capacities of companies, but it has also established diplomatic and economic relations with additional African countries.
Political Economy	China's political economy has changed significantly over the past decades. Key events include the rise of bureaucratic entrepreneurs, i.e. officials who use their favorable political positions to profit economically; corporate governance reforms that have provided SOEs with managerial leeway; the opening up of party structures to private sector actors; the decentralization of competencies in particular policy fields and the related rise of sub-state actors; and the formalization of regulatory procedures.	Changes in the political economy explain the diversity of actors and interests involved in land-consuming OFDI (e.g., provincial actors) and the profit orientation that even holds true for economic cooperation projects (e.g., agricultural development centers). The multiple actors come from different levels of government and some of act in conflict with the central government's foreign policy. The marketization of power has led to a profit focus.
Events	Becoming a net energy importer; Asian crisis; WTO accession influenced the OFDI policy framework, as well as the social and ecological costs of the development trajectory.	Core events influencing the development of a favorable OFDI policy framework since the country's opening up, as well as its turn to Africa have been several: the rising resources dependency, the Asian crisis, and the WTO accession.