Title: Chinese State Capitalism? Rethinking the Role of the State and Business in Chinese Development Cooperation in Africa


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More details/abstract

The growing involvement of the Chinese state and business in Africa has generated significant debate about China’s Africa strategy and the benefits for Africa’s development. What is the nature of Chinese state capitalism in Africa? This study examines Chinese state–business relations and argues that China’s involvement in Africa is more complex than often portrayed. It aims to build a closer understanding of the diverse factors that influence the Chinese state–business relations as it is implemented in Africa. This paper focuses on how state–business interactions influence agricultural development outcomes, using six case-studies from Zimbabwe and Mozambique. It explores the question of how far the state can control business and direct development by identifying the key relationships that influence the decision-making processes of state and business actors within China and its African engagement. The paper challenges the conventional wisdom of homogenized, unitary relations. It argues that these relations are, in practice, heterogeneous, as a result of the state being disaggregated into a multiplicity of provincial relations and central state agencies, and tensions arising between commercial market and political interests. The active role of African governments in agricultural schemes is also affecting outcomes. China’s engagement is multivariate, involving a multiplicity of agencies, operating at different levels, structures, and processes with sometimes contrary interests and goals. The findings of an analysis of six state–business projects in the agricultural sectors of Zimbabwe and Mozambique suggest that where agriculture is concerned, a wide range of Chinese agencies are involved, with businesses being driven by either market forces or national state interests, which together make outcomes less open to generalization.

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Chinese State Capitalism? Rethinking the Role of the State and Business in Chinese Development Cooperation in Africa

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Summary. — The growing involvement of the Chinese state and business in Africa has generated significant debate about China's Africa strategy and the benefits for Africa's development. What is the nature of Chinese state capitalism in Africa? This study examines Chinese state–business relations and argues that China's involvement in Africa is more complex than often portrayed. It aims to build a clearer understanding of the diverse factors that influence the Chinese state–business relations as they are implemented in Africa. This paper focuses on how state–business interactions influence agricultural development outcomes, using six case-studies from Zimbabwe and Mozambique. It explores the question of how far the state can control business and direct development by identifying the key relationships that influence the decision-making processes of state and business actors within China and its African engagement. The paper challenges the conventional wisdom of homogenized, unitary relations. It argues that these relations are, in practice, heterogeneous, as a result of the state being disaggregated into a multiplicity of relations and central state agencies, and tensions arising between commercial and political interests. The active role of African governments in agricultural schemes is also affecting outcomes. China's engagement is multivariate, involving a multiplicity of agencies, structures, and processes with sometimes contrary interests and goals. The findings of an analysis of six state–business projects in the agricultural sectors of Zimbabwe and Mozambique suggest that where agriculture is concerned, a wide range of Chinese agencies are involved, with businesses being driven by either market forces or national state interests, which together make outcomes less open to generalization.

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Key words — State–business relations, China, Africa, Zimbabwe, Mozambique

1. INTRODUCTION

Are Chinese businesses part of a grand strategic plan of the Chinese government in Africa? Certainly, there is evidence that there is a strong link between China's domestic policy and its firms' outward investment behaviors. However, this link is unfolding in quite a distinctive and complicated way. The Chinese state itself is changing, adapting both to globalization and the inexorable logic of its own market-oriented reforms. Consequently, contrary to the assumption of a strong, directive, collusive state, in the African context at least, many Chinese enterprises do not have much knowledge or understanding of the state's policies relating to “going global” and investing in Africa. This means there is no singular “state–business relationship” or form of Chinese state capitalism. Rather, there are multiple versions, depending on the origins of the business investor and the particular role of the provincial state. A picture emerges of a highly fragmented and often quite ambiguous political-economic framework for China's state–business relations in African agriculture. This results from the diverging logics and often divergent interests driving the central government, the provinces and the business community, each with different stakes in African agriculture. This is compounded by a lack of strong and enduring forms of coordination across the wide array of governmental and corporate agencies. This paper addresses issues related to the role of Chinese state and business in China–Africa agricultural cooperation. This role is highly controversial with the debate between those who see China's role as unequal, rapacious, and even colonial (e.g., Tull, 2006; Askouri, 2007; Clinton, 2011) and those who see the relationship as one of mutual benefit (e.g., Asche & Schüller, 2008; Fantu & Cyril, 2010).

For critics, China is simply the latest in a long line of capricious, self-interested “benefactors”, whose presence undermines the domestic and export potential of local produces, distorts the local market, transfers little of substance to the local political economy in terms of knowledge or skills transfers, offers little in the way of meaningful employment and is restrictive—even abusive—in enclave silos protected by Chinese security service personnel, thereby limiting transparency and accountability. China's “soft loans” (i.e., weak on the conditionality of Western donor development assistance) are accused of allowing profligate African states to build up unsustainable levels of debt, retain weak financial, economic, and political governance and, in some instances, continue infringements of human and civil rights.

Proponents, however, argue that the evidence shows that China provides substantial, much-needed investment, particularly infrastructure capacity-building in transport and communications. Chinese firms bring technical and commercial know-how and widen market access. Projects get

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built on time, even ahead of time, without tiresome “strings” attached.

In this paper we argue that neither of these views stand up to any detailed scrutiny. By understanding the complex relationships between the state and different business operations, we explore how Chinese national state interests are reflected in China’s “development” role in Africa. We examine how Chinese state capitalism works through intimate state–business relations, with the government operating hand-in-hand with state-owned enterprises and, less overtly or directly, with the many Chinese private firms “going-out” to Africa. In the context of agricultural investments in two African countries, we explore how these relationships bring financial and practical infrastructural, production, trade, and investment benefits, as well as new challenges.

Chinese state–business relations are, we argue, key factors in explaining China’s engagement in Africa, but our understanding of the Chinese “state” and “business” sectors needs to move beyond simplistic portrayals. The Chinese state’s relationship with business is populated by a wide range of commercial, diplomatic, and financial interests operating at multiple levels of government. Similarly, there are diverse business organizations from State-Owned Enterprises to fully private firms. Both the state and business also have a local character, with diverse forms found in different parts of China, across its provinces. In other words, the core message is that there is not a single Chinese “state capitalism”, but many, and these are all playing out in Africa in different encounters, relationships, and negotiations.

This paper provides a closer understanding of this more complex landscape. It demonstrates the diversity of factors influencing Chinese state–business relations in the context of agricultural investments in Africa. It presents a more nuanced insight into Chinese “state capitalisms” as they play-out in this sector in Africa, with a focus on Zimbabwe and Mozambique.

Three key research questions are addressed:

1. What are the roles of the Chinese state and business actors in their engagement in Africa?
2. How, and to what extent, are Chinese businesses in Africa regulated and constrained by the Chinese central state and influenced by provincial states?
3. What are the implications of local level encounters in terms of shaping and influencing the ways in which Chinese state–business led development operates in practice?

The paper is based on work carried out in 2012–14, and involved in-depth case study work in Mozambique and Zimbabwe, involving both Chinese and African researchers, combined with key informant interviews with business representatives and government officials in China. Fieldwork was complemented by a review of documentary material on Chinese policy, as well as particular interventions.

2. CHINESE STATE CAPITALISM IN AFRICA

China’s role in Africa has proven to be highly controversial and the character of Chinese state capitalism in Africa has generated a great deal of interest and debate (e.g., Taylor, 2009; Brautigam, 2009; see Scoones, Amanor, Favareto, & Qi, 2013; Scoones, Cabral, & Tugendhat, 2013; Amanor & Chichava, 2016). Increasingly, however, there is more recognition of the diversity, disaggregation, and lack of coordination between China’s state and business organizations both within China and as part of African involvement.

At the same time, the focus has departed slowly from perceiving Africa as passive recipient, emphasizing the active role of African governments in negotiating development investment (Mohan & Lampert, 2013; Scoones, Amanor, et al., 2013; Scoones, Cabral, & Tugendhat, 2013); a move contextualized by the African Union’s new vision and strategy, Agenda 2063. As the ECA argues in relation to the BRICS countries, “The continent also needs to be assertive when negotiating, and to pursue all areas of cooperation to stimulate production and entrepreneurial development (ECA, 2013, pp. 3–4).”

The widespread portrait of China’s state–business relations in Africa is of state-directed, collusive behavior. This is said to be most evident in Chinese SOEs acquiring the critical resources needed to sustain China’s economic growth and in Chinese manufacturers taking advantage of lower cost labor to supply burgeoning consumer demand. In this perspective, the Chinese state’s role in Africa is to use a wide range of diplomatic instruments and substantial state finance to facilitate the access and operations of Chinese business. However, in practice the story is more complex. The Chinese state’s economic strategic priorities retain institutional influence on Chinese business, but, in practice, Chinese firms have substantial agency, and negotiate different opportunities within Africa, depending on local contexts.

The Chinese state’s role vis-a-vis Chinese business in Africa is, undoubtedly, substantial; but it is contextual, rather than directive in character. There are four principal dimensions. Firstly, the state’s policy framework provides the context, authority, and legitimacy for Chinese firms to go to Africa. Here the key policies are the “Africa Policy” and “Going-global” policy. Secondly, the state has established a strong, dedicated, inter-locking institutional network of agencies at home to support Chinese firms “going out” to Africa. Together these provide not only robust practical support for businesses, but also offer demonstrable evidence of long-term commitment and policy durability. Thirdly, the Chinese state has engaged in unprecedented economic diplomacy in Africa. This has two aspects: multilateral (pan-African) and bilateral (state-to-state) diplomacy. The former is driven through the FOCAC framework, a dialog and institutionalized process for cooperation established in 2000. The latter is driven by extensive tours of African states by Chinese state and party officials and bilateral cooperation agreements on everything ranging from loans, guarantees, and technical assistance to cultural exchanges and educational scholarships. Fourthly, Chinese business also benefits from the warmer relations generated by the Chinese state’s wider political diplomacy evident in South–South Dialogue and Cooperation and in the United Nations. China has presented itself as a leading voice of the developing world, critical of traditional donors (Amanor & Chichava, 2016).

The Chinese government has introduced a series of policies and supporting measures to encourage firms to explore and invest in Africa. These include 11 Chinese investment and trade promotion centers established in African countries intended to provide information and ancillary services for Chinese firms. Major Chinese policy banks such as the China Development Bank and the China Export and Import Bank and commercial banks such as the Chinese Construction Bank and Chinese Industry and Commerce Bank have established operations across Africa (Gu, 2011). In 2009, the then Premier Wen Jiabao stated that: “We should hasten the implementation of our ‘going out’ strategy and combine the utilisation of foreign exchange reserves with the ‘going out’ of our enter-
China’s relations with Africa in the immediate post-revolutionary era were, necessarily, restricted by the pressing demands of national reconstruction as well as the shifting, sometimes turbulent, political conditions within China. However, with the reform era, and the ‘opening’ of the Chinese economy, there has been growing demand for resources and markets. This contributed to the establishment of new trading relationships and greater experience and knowledge of Africa and its markets, leading on to Government encouragement and support for direct investment projects and to growing numbers of firms more confident in ‘going out’ to this last ‘Golden Land’ (Gu, 2011) (see Table 1).

The Ministry of Commerce (MOFCOM), the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), provincial governments, private enterprises, and Chambers of Commerce all frame China’s state–business relations. MOFCOM has the main responsibility for policy coordination and implementation in respect of all foreign aid and trade-related issues. However, beyond the central state, a key feature has been the growing significance of the provinces. According to one recent assessment, there are approximately 100,000 sub-national SOEs and these operate in a highly diversified architecture of provincial government regulations, of which inter-provincial barriers to mergers and acquisitions are an example (Szamosszegi & Kyle, 2011, p. 26). Bremmer (2009) argues that there are three primary actors in Chinese state capitalism: state-owned enterprises, privately owned national champions, and sovereign wealth funds. Lin and Milhaupt (2013, p. 701) call the organizational structure of Chinese state capitalism a “networked hierarchy”. The networks facilitate information flow, foster collaboration in production and

Table 1. Growth stages of Chinese companies in Africa

<table>
<thead>
<tr>
<th>Stages</th>
<th>Main features</th>
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<tbody>
<tr>
<td>Stage one 1949–80s</td>
<td>Limited number of Chinese companies, mainly implementing Chinese official development 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 mainly seeking natural resources strategic assets, and infrastructure investments; increasing number of private companies start exploring African market</td>
</tr>
<tr>
<td>Stage four 2000–05</td>
<td>Expansion of large state-owned enterprises 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 state-owned enterprises; the development of clustering industry strategy</td>
</tr>
</tbody>
</table>

Source: China–Africa project survey (Gu, 2009).
policy implementation, and provide strong incentives for leaders within the system, because success in business leads to rewards in the political realm and vice versa. Thus, as Xing and Shaw (2013, p. 95) argue, “Chinese state capitalism is a distinct form of state capitalism shaped and determined by its internal political reality and characterised by the active state intervention and corporative state–business relations”.

The past decade has seen Chambers of Commerce become a factor of growing importance in China’s economic development and commercial diplomacy: “These organisations are changing the structures by which China is governed and policy is made” (Fewsmith, 2005, p. 1). In the context of the privatization and the market reform process of the Chinese economy, Chambers of Commerce have played an intermediary, regulatory role between the state and business (Yu, 2002; Jin, 2003; Yu, 1993; Huang, 2005) and, as discussed below, are also playing an increasing role in Africa.

How then does this evolving domestic state–business relationship play out in the practice of Chinese involvement in African agricultural development? What roles do the diplomatic and commercial missions, the official face of the Chinese state, play?

### 3. CHINA IN AFRICAN AGRICULTURE

“In terms of Chinese agricultural engagement in Africa, it is more about politics and international relations, rather than agriculture per se”.

China has been providing substantial agricultural assistance to African countries since the 1950s. The FOCAC Addis Ababa Action Plan (2004–2006) built upon this historic tie by making agriculture a priority sector, with China emphasizing the central importance it placed upon agricultural cooperation. The 2006 FOCAC Forum also saw China’s practical commitments increase significantly. The speech by the then Chinese President Hu Jintao identified “eight steps” of assistance to African countries. These made specific reference to the deployment of 100 agricultural experts to Africa (including to Ethiopia, Ghana, and Zimbabwe) and the establishment initially of 10 agricultural technology and demonstration (Xu et al., 2016).

Agricultural investment to Africa, as an important part of agriculture “going out” strategy, has also become a priority of China’s FDI in Africa. By the end of 2009, China’s investment in Africa Agriculture had reached US$290 billion, accounting for 3.1% of China’s total investment to African countries. Besides the MOFCOM, other ministries, including the Ministry of Agriculture and Ministry of Science and Technology, contribute their expertise on agriculture-related areas including provision of technical expertise and training (see Tugendhat & Alemu, 2016).

“One Province, One Country” is China’s new aid model advocated by FECC: in recent years, which is being applied widely, not only to China’s agricultural aid to Africa, but also to medical aid and other aid areas. It means one province within China should be responsible for China’s development cooperation in one recipient country, such as Hubei to Mozambique and Anhui to Zimbabwe. For this province, implementing the aid task is not only economic, but also a political task. For example, although the selection of project contractors is through open tendering, the process is not completely transparent or market oriented. The bidding notice and announcement from MOFCOM or MOA is usually directed to each provincial government, and it is then up to the provincial government to recommend some enterprises or institutions that qualify for the work with its province to join the bidding.

To understand how Chinese business investments play out on the ground, we now turn to examine the Chinese engagement in Mozambique and Zimbabwe.

### 4. CHINA’S RELATIONSHIPS WITH MOZAMBIQUE AND ZIMBABWE

(a) Mozambique

China’s relationship with Mozambique has a long history. China established diplomatic relationships with Mozambique in 1975 when Mozambique gained independence from Portugal. The post-independence relationship ebbed and flowed, however, recently the relationship has been steady and increasingly close (Alden & Chichava, 2014). As a country with rich natural resources and currently a relatively stable political environment, Mozambique has become one of the top destinations for Chinese investment in Africa. China has become Mozambique’s second largest investor since 2008. China is Mozambique’s third largest trading partner. Chinese Government statistics indicate Mozambique’s imports from China were worth US$2 billion, while its exports were estimated at US$1.6 billion (StarAfrica, 2015).

Most of Mozambique’s exports to China are resources such as minerals, oil, timber, and agricultural products. However, China’s primary contribution has been in infrastructure and construction, with the writing-off of US$22 billion debt, provision of new loans and social construction projects such as schools, hospitals, and scholarships to train or study in China. China’s Ambassador to Mozambique claims China has funded 26 construction projects and 17 loans and 1,100 Mozambicans have been trained in various Chinese institutions (AP/FoxNews, 2014).

Economic relations were given a critical boost in 2001 with the signing of a Trade Agreement on the Promotion and Reciprocal Protection of Investment, and establishment of a Joint Economic and Trade Commission. Mozambique’s agricultural sector is a long-standing priority in the bilateral relationship. In 2002, the Sino-Mozambican Economic and Technological Cooperation Agreement was concluded and a Memorandum of Understanding on cooperation between the Chinese Ministry of Agriculture and the Mozambican Ministry of Agriculture and Rural Development was also signed (Chichava, 2010).

China’s agricultural engagement in Mozambique strengthened in September 2005, when one of the members of the Political Bureau of CPC Central Committee, also a Party Secretary of Hubei Provincial Party Committee, visited Mozambique and developed an agreement on Sino-Mozambique agricultural cooperation. Hubei Province in China and Gaza Province in Mozambique became “Friendship Provinces” and, at the request of Mozambican government, the Hubei government invested in a farm called the Hubei-Gaza Friendship Farm. In 2010 a US$50 million concessional loan from China Exim Bank targeted several agricultural projects. The first US$30 million, placed under the management of the Gabinete do Plano de Desenvolvimento da Região do Zambezí (GPZ), was used to build three agro-processing factories (cotton, rice, and maize) in the provinces of Manica, Zambezia, and Tete, respectively. The remaining US$20 million was used to import agricultural equipment from China. In 2012 Mozambique signed another long-term credit line from China Exim Bank of US$60 million to develop an agricultural project in Chokwe. The project called the Chokwe Agro Processing Complex aims to develop several projects in particular rice
processing factories and cattle breeding and processing factories as well as a conservation unit (Chichava, 2014a; see Amanor & Chichava, 2016).

Since 2009, with the start-up of China’s Agricultural Technology Demonstration Centre (Xu et al., 2016), more and more Chinese agricultural companies went to Mozambique to seek new business opportunities. Among these companies, Wanbao Grain and Oil from Hubei Province, has invested more than US$200 million in Gaza province, and is running the largest rice farm in Africa. China–Africa Cotton has been conducting large-scale contracting farming in Sofala province. Several other companies, including China–Africa Agriculture Investment Company Ltd. and China National Agricultural Development Group Company Ltd. are all working in Mozambique.

(b) Zimbabwe

China’s relations with Zimbabwe and, specifically Robert Mugabe’s ZANU-PF, date back to the independence struggle (Chan & Primorac, 2013). Zimbabwe is among the top four African countries for approved agricultural projects with Beijing (Brautigam & Zhang, 2013, pp. 16–83).

As with Mozambique, China has remained a partner to Zimbabwe since independence in 1980, providing loans, guarantees, and other financial support, most importantly after western nations began sanctions following Zimbabwe’s land reform in 2000. China was one of the first countries to establish an embassy in independent Zimbabwe. Since 2000, Zimbabwe has been forced to “look East” and engage its “all weather friend”, resulting in intensified diplomatic and commercial activity.

China’s economic interest lies in Zimbabwean mining (such as diamonds and platinum deposits), agriculture, infrastructural development, and communications technology. Recognition of China’s willingness to invest politically as well as financially in the continuing relationship was demonstrated in Zimbabwe securing major extensions of loans from the China Exim Bank worth US$700 million in 2011. The loan extensions were intended to help revive Zimbabwe’s health, mining, and agriculture sectors. The loans included US$342 million for an agricultural machinery scheme, US$99.5 million for medicine, and US$144 million for the renovation of sewers in Harare. Visiting Harare, the then Chinese Vice-Premier Wang Qisha commented that: “China will continue to support and grow your economy. China will continue to impress on countries that have imposed sanctions to lift them at an early date” (China Daily, 2011). China later extended a US$36m loan to Zimbabwe, but questions have been raised around further support. China is heavily exposed to debt default, as it has provided Zimbabwe with over US$1 billion in concessionary and preferential loans. It has also given Zimbabwe US$100 million in grants and interest-free loans. China refused to underwrite the Zimbabwe government’s “ZimAsset” economic growth plan, and approaches by senior ZANU-PF leaders, including the president in 2014 and 2015 were rebuffed, with additional loans becoming conditional on prior repayment of US$1.5 billion in debt (Mambo, 2015).


There are about 80 Chinese companies in Zimbabwe, two-thirds of which are privately owned. The relationships between Chinese business associations/networks and companies are extensive. There are seven such networks operating in Harare, linked to both central and provincial business associations. Given the number of Chinese companies of different provincial origin, these associations are competing with each other for influence. However some have become prominent on the back of official Chinese government support. This includes the Zimbabwe–China Business Council Trust, which was established under the auspices of the Zimbabwe–China Business Council to engage the government in “creating an enabling environment for entrepreneurship” and “enabling the imparting of good business practices to ensure that Zimbabwe–China business activities contribute to poverty reduction and human development” (The Behaviour Report, 2014).

These increasingly powerful players owed much of their rise to Chinese embassy patronage. According to officials at the Chinese Embassy in Harare, regular meetings are held with business leaders through the Council to discuss issues such as Corporate Social Responsibility. This close relationship resulted from an Embassy perception that existing associations were insufficiently responsive to their policy initiatives. New councils linked to the central state are expected to act as bridges between the Embassy and the Chinese business community, helping to communicate government policies and perspectives.

5. CASE STUDIES: CHINESE STATE–BUSINESS RELATIONS IN MOZAMBIQUE AND ZIMBABWE

In both Mozambique and Zimbabwe, the local state and party provide special support for Chinese companies. In Mozambique, high profile political visits have paved the way for Chinese agricultural investments, and the establishment of “friendship farms”. These often have close links to party elites in Mozambique, affording political protection for the business ventures (Chichava et al., 2014). In Zimbabwe, most Chinese companies are all currently exempted, through what company managers described as “special agreements”, from the 2008 Indigenisation and Economic Empowerment Act that requires all foreign-owned companies to cede 51% of their shareholding to “indigenous Zimbabweans”. In Zimbabwe, Chinese state enterprises have capitalized on contacts with Ministry of Defence staff in establishing commercial.

Thus in both countries, the state, the party and a business–military elite have provided a supportive context for the emergence of Chinese state–backed business ventures, through both SOEs and private companies, with a variety of links to Chinese provinces. It is essential to understand this particular political economy in Africa if the wider pattern of Chinese state capitalism is to be understood. In the next section, five cases are presented that illustrate the particularities and complexities of these dynamics.

The six case studies illustrate the diversity of state–business relations and the different politics that configure the “development encounters” (Scoonies, Amanor, et al., 2013; Scoonies, Cabral, & Tugendhat, 2013). We examine how the companies negotiated their entry into the country, the companies and institutions that became involved in this process, their networks and connections, the political or financial support they received, and the ways in which such processes were completed within the political, business, and social contexts of Zimbabwe and Mozambique. We examine the influence of different provincial origins, state, or Party sponsorship, differing ways of engaging with informal business associations and their
involvements with Chinese migrant communities (Cook, Lu, Tugendhat, & Alemu, 2016). This approach enables us to gain a more nuanced, empirically grounded understanding of state–business relations in Africa.

(a) Case 1: Zimbabwe–China Wanjin Agricultural Development Ltd—a ‘Role Model’ in question

This company is a joint venture between the Anhui Provincial State FRMS Group and the Zimbabwean Ministry of Defence (MoD). In 2010 the MoD used its bilateral relations with the Chinese government to establish a joint farming scheme with an Anhui farm. Its objective was to support under-utilized Zimbabwean farms to improve their production. Farmers who were allocated land under the land reform program had insufficient capital/savings and skills to fully utilize the land. Through the partnership with Anhui with their access to funding and experience in commercial farming, it was envisaged that the land would be more fully utilized. As of 2014, the venture had 50,000 ha of land under cultivation with a workforce of more than 200 local employees (50 on contract) and 14 staff from China. On average, there are 1–2 Chinese managers and 3–5 local Zimbabwean managers on each farm. Ten staff members are from the MoD, including the Vice-Manager (holding the rank of General). The Manager, He Hongshun, commented “the reason we are in Zimbabwe is due to the Chinese ‘Going Global’ policy”. The company benefited from the encouragement of the Anhui provincial government and from the financial support of the China Exim Bank: “We mainly deal with the Anhui Provincial Government, not the central government in Beijing”, the manager observed. The company also benefits from a strong network of Chinese construction and manufacturing services companies from Anhui province that had moved to Zimbabwe during the last 10 years.

However, the manager also emphasized that the venture would not have succeeded had it not been under the aegis of the MoD in Zimbabwe. Without leveraging its linkages to the Zimbabwean state, the company would have been challenged to develop partnerships with locals to confirm compliance with indigenous regulations. He also admitted that in this process, “entrepreneurial spirit and good communication with the local community [were] very important; for example, we helped the local community to dig a well and build a toilet”. But profits should come first, this can then yield good social impact”, he noted. Wanjin Company, in other words, still operates as a private profit-making entity. The manager repeatedly praised the successes of the company, claiming that the company has achieved profits also furthering the development goals of its home province, Anhui. This emphasis on the linkages with the province and, equally, the emphasis on the successes of the company could potentially manifest ambitions of being promoted to home-based positions. Asked if he planned to stay in Zimbabwe, the manager answered that he wanted to go back to China. Zimbabwe was not regarded as home, but as foreign land where life was ample with hardships encapsulated in the Chinese maxim “chi ku” (“eat bitterness”).

Contrary to this emphasis on profits by the Zimbabwe-based manager, the Deputy General Manager of Anhui Provincial State Farms Group (APSFG) and Chairman of Wanjin based in Anhui Province, Chen Jun, emphasized developmental objectives. He commented: “We do not expect our investment in Zimbabwe to yield immediate returns. The real focus for our company is technology transfer and skills enhancement; factors critical for the long-term success of agriculture in Zimbabwe. Our primary task is to train as many local agricultural technicians as possible, as science and technology hold the key to better results” (China Daily, 2014). As the provinces compete to attract praise from the central government in China, reflecting leadership ambitions for promotion in the Chinese state machinery, Anhui provincial leaders will always emphasize the developmental impacts of the project.

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

(b) Case 2: China–Zimbabwe agricultural technology demonstration centre—a “Gilded Signboard”

The China–Zimbabwe Agricultural Technology Demonstration Centre is seen as a practical means for China to provide agricultural development support (technology and equipment) in a sustainable way (Xu et al., 2016). ATDCs are run by Chinese companies after being selected through a competitive tender system in China. Although these companies are financially supported by the Chinese state during the first years of operation, they are expected to seek out ways to earn income and become self-financing. They are also encouraged to investigate other business opportunities (Brautigam & Zhang, 2013).

The China–Zimbabwe Agricultural Technology Demonstration Centre was opened in 2012, and is located in Gwebi Agricultural College, a government agricultural training center. The Centre’s managers are mainly from State-owned farms in Heilong Jiang Province. They do not have close contact with the local Chinese business association or networks in Zimbabwe. The ATDC has consistently received the support of the Zimbabwean Ministry of Agriculture and the Centre’s manager has regular contacts with senior Ministry staff. According to ATDC staff, “The Company uses the Centre’s name when it performs the function of public services, and adopts the company’s name when it conducts commercial operations”. Commercial activities have included selling farm machinery and farm products and providing plowing or on-farm services to local farmers.

Two of the managers previously worked for a state-owned farm in China, which operated under a different model. As one explained: “The fundamental problem with the ATDC is that the operating company has not been integrated or hung together with the Centre; it is the systemic failure of Chinese agriculture development assistance, one cannot simply extend the domestic institutions to Africa. Putting Chinese ‘parts’ in African governmental and society machine cannot improve the efficiency of the machine.”

The ATDCs are important platforms for Chinese business engagements, but given their multiple objectives, there remain challenges, and many are finding it tough to operate purely on a commercial basis (Xu et al., 2016).
Flue-cured Virginia tobacco is Zimbabwe’s most important agricultural crop with 98% of the crop exported and it contributes 45% of all agricultural export receipts. Tianze Tobacco Ltd. is a SOE from Yunnan Province operating in Zimbabwe. It is a subsidiary of China Tobacco, the Chinese state-owned monopoly that produces the world’s largest number of cigarettes with roughly 2.4 trillion cigarettes sold annually. Most of these cigarette sales are in the Chinese domestic market. According to Tianze’s Tobacco Industry and Marketing Board, some 54% of the Zimbabwean tobacco exports went to China during the first quarter of 2015, worth US$169 million (News Day, 2015). Historically, Yunnan Province has been very close to Tianze. Since the reform era, the province has implemented development policies reflecting the priorities of the central government, orienting mainly toward economic growth through infrastructural development (Donaldson, 2013).

Since coming to Zimbabwe in 2005, Tianze has received support from the central Chinese government through access to low interest finance, and they have not suffered the liquidity challenges that have plagued Zimbabwe since “dollarization” in 2009 and have hampered the expansion of local companies. Due to access to more concessionary funding and its reinvesting most of the profits made, the company has become a key stakeholder in Zimbabwe’s tobacco sector. As the general manager confirmed, “Tianze’s ability to succeed in a relatively short period mainly benefitted from the Chinese market and financial support from the Exim Bank”. This support enabled the company to become a core player in Zimbabwe’s tobacco sector in a relatively short time. Zimbabwean state officials have been quoted explaining that exemptions were given to Chinese companies because “they have been supporting our agriculture and our farmers, so we look at those things when considering whether to exempt them or not” (New Zimbabwe, 2014).

Tianze’s local manager expressed no incentive to increase profits: “It makes no difference to me if I make one dollar profit or one million dollar profit, because my salary is always the same”, reflecting the conditions in many SOEs, and the wider political role played by such companies.

The company has 88 local workers and 10 Chinese staff. The General Manager, Li, said that he was impressed by the general quality of Zimbabwean workers. Tianze has good relations with its outgrowers. A Mashonaland farmer commented: “They (Tianze staff) help me build up the farm bit-by-bit every year. If they had left me, I could not have done anything and I would have not survived” (Xinhua, 2014). Another farmer chose Tianze because of better service: “I can visit the headquarters of Tianze and talk with Chinese managers, I can also get technical assistance from the company, such as on agronomy and curing, and these technologies are useful. Without the help of the company, I can’t grow tobacco”.

The company is in Zimbabwe for the long haul and has close links with the Zimbabwean state and with the TIMB and the Tobacco Research Board (TRB). TIMB board members were recently sent on a fully paid trip to China to familiarize themselves with the tobacco value-chain in Yunnan. Tianze has also facilitated linkages between the TRB and the Yunnan Province Tobacco Research Station through which the two institutions are collaborating in variety development and germplasm exchange. Tianze has also gained from the close relationships between the Chinese central state and Yunnan Province, and the strategic significance of a state-owned parent company.

Cotton is Zimbabwe’s second most important export crop and supports the livelihoods of over 200,000 households living in low/erratic rainfall areas. Funding has been provided almost exclusively through contract farming arrangements with each farmer obliged to market the crop through the contracting company. Over the last 15 years, the number of cotton merchants that have been supporting farmers have increased to 14–18, including local companies and multinationals, one of which is China–Africa Cotton (CAC).

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

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

CAC has also benefited from its networks at home in terms of its day-to-day operations. As the company has had access to funding from CAD, it has been able to charge lower interest rates to cotton farmers in both countries, increasing its competitiveness. A perennial outcry among contracted smallholder cotton farmers in Zimbabwe has been that the input packages provided by the merchants have been inadequate and lower than those recommended by the Cotton Research Institute, a government institution. In the face of high default rates, side-marketing, and using contracted inputs on other enterprises, merchants have cut down the input pack (especially fertilizers) to reduce their risk exposure. In the 2013–14 season, farmers applauded CAC for providing a cotton pack with more fertilizers than other companies and for providing the inputs earliest in the season.

CAC in Zimbabwe does not have close links with the Chinese embassy, but is a member of the China–Africa Business Council. CAC has leveraged provincial support form Shandong, financing from CAD, as well as long experience in Africa among its senior Chinese expatriate staff.

Based on the MOU signed in 2005 between Hubei and Gaza provincial governments following high-level political engagements with Hubei officials (see above; also Amanor &
Chichava, 2016), initially 1,000 ha of land was allocated to Hubei Farming Bureau (HFB) with expertise in managing large-scale state farms and agricultural projects, to grow rice, vegetables, and other crops, as a “friendship farm”. The Gaza Provincial Department of Agriculture (DPAG) would provide all the necessary services, as well as offering tax exemptions. Meanwhile the Hubei Farming Bureau (HFB) would develop the land, improve the infrastructure, help local producers improve their yield and transfer Chinese technology to them. Hubei–Gaza Friendship Farm was established in Xai-Xai, the capital city of Gaza province in 2007. To manage the new initiative, a new company was incorporated, Hubei Lianfeng, with 18 state farms in Hubei province as its shareholders. An all-Chinese staff was selected as part of HFB’s hiring system by Hubei Lianfeng in China. Since then, Hubei Lianfeng, a state-owned enterprise, has worked in Xai-Xai focusing on rice farming, as well as adaptive breeding of Chinese varieties and training local farmers. This “friendship farming” is not profit-driven, and many interviewees wondered how long the relationship could persist.

In 2011, with the quest of Mozambican government to enlarge the scale of land cultivation and farmer training, Wanbao Grain and Oil, a private agricultural “dragon-head” enterprise from Hubei province, was introduced to join the project to scale up the existing Friendship Farm. Wanbao Grain and Oil is a private company based in Xiangyang and focuses on purchasing, storing, processing, sale, and logistics of grains and oil seeds. It is not directly involved in the production at the farm level. It was first established in 1952 as a state-owned company and restructured as a private-owned stockholding company in 2004. To meet the requirement of expanding its international grain market, the company has actively participated in investments overseas. At present, the company has five subsidiaries, including Wanbao Africa Agricultural Development Project. Wanbao African Agricultural Development Co., Ltd. has been registered in Mozambique with 49% of the company shares owned by China Agricultural Development (CAD) Fund.

In May 2011, Mr. Chai, the Chairman of Wanbao went to Mozambique and decided to move forward with the investment. He explained the decision was easy to make because of his confidence in Chinese rice growing technologies and his perception of abundant natural resources, inexpensive labor and huge market potential in Mozambique. Soon after, Wanbao Africa-Agricultural Development Company Ltd. (Wanbao) was established for the purposes of implementing the investment in Mozambique. Wanbao made arrangements to partner with a local Mozambican counterpart, Regadio do Baixo Limpopo (RBL), a public company in charge of local irrigation schemes and land use that had previously worked with the Friendship Farm. In a contract between the two parties, RBL was charged with contracting 20,000 ha of farmland in Xai-Xai to Wanbao, organizing local farmers for training, and supporting implementation of the project.

Wanbao came with an estimated investment of more than US$ 200 million, aimed at creating the largest rice farm in Africa (Chichava, 2014a, 2014b). Wanbao rented the original 1,000 ha of the Friendship Farm from Hubei Lianfeng, and was granted a 50-year concession to an additional 20,000 ha at US$1/ha/year. Wanbao contracted the China National Chemical Engineering (CNCEC)-6th Company, a Chinese state construction company, to work on the infrastructure construction, and four Chinese state farms to implement the large-scale farming activities. Wanbao also works with local farmer associations, facilitated by local political connections. The Association of Farmers and Irrigators for Agri-Livestock Development and Mechanisation in Xai-Xai (ARPONE) was established particularly to learn Chinese technology and work with the new Chinese farms. Most members were connected to local political elites, with the arrangement between the expanded farm and local officials very strong (Chichava, 2014a, p. 5. Contracting Chinese state farms to do the production indefinitely is expensive for Wanbao. In the future, they aim to rely on the Mozambican farmers, cementing the connection between the investment and local elites.

By 2014, 11,000 ha of land were under production in Xai-Xai, representing more than US$100 million of investment. Some 70 ha of land with the best location and facilities were set aside for training local farmers, with 68 families trained, and about 300 ha were designated for ARPONE members. The various companies involved have employed about 700 Chinese workers, including managerial staff, construction workers, and technicians and about 2,000 local workers, including staff working in construction, farm workers, cooking staff, and office workers. The successful expansion of the Friendship Farm in such a short period has earned prestige for the company. Armando Emilio Guebuza, then President of Mozambique, visited the farm three times in less than 2 years. Wanbao is trailed by the Chinese government as a successful overseas business in Africa. As one of the managers of a Chinese State Farm in Tanzania told us, “Every time we join the meeting organized by our government, we are urged to learn from Wanbao”. The expansion in the scale of land cultivation of Wanbao would not have been as successful without the committed political support from both Mozambican and Chinese governments, especially the provincial government of Hubei in China.

(f) Case 6: China–Mozambique Agricultural Technology Demonstration Centre

After the construction of the Friendship Farm was completed, the same construction team stayed in Mozambique and continued to work on the construction of China’s Agricultural Technology Demonstration Centre (ATDC). In 2007, Hubei Lianfeng became the commercial contractor for the ATDC. The ATDC was transferred to Mozambican government (under the direct administration of the Ministry of Science and Technology) in 2009 and the technical cooperation period immediately started with 10 Chinese agricultural experts selected by HFB.

Since 2009, it has demonstrated advanced Chinese technology and trained local farmers. The ATDC has also become the platform for more Chinese agricultural companies arriving in Mozambique to seek new business opportunities. For example, another company from Hubei, Hefeng African Agricultural Company Ltd., arrived in Mozambique in 2012 and is working on rice cultivation in Sofala. The ATDC has not only helped these companies find a suitable place for crop cultivation, but provided some technical support, including renting agricultural machinery, dispatching agricultural experts, and providing some inputs to these companies. The ATDC in Mozambique has been evaluated as one of the best Chinese ATDCs in Africa, and its contractor, Hubei Lianfeng, has earned more fame together with financial opportunities from the Department of Foreign Assistance, MOFCOM, for its overseas operations. For example, Hubei Lianfeng successfully tendered for a bio-gas project in Mozambique in 2013, and another agricultural technology cooperation project in Malawi in 2014.
According to the requirements of Department of Foreign Assistance, MOFCOM, each center should have 10 Chinese staff. In August, 2013, eight experts were working at the Centre, while the other two were working for Wanbao and Hefeng. Almost all the agricultural experts are from Chinese state farms. The shareholders are based in Hubei Lianfeng in Hubei Province, where the director of the Centre comes from. Mozambique’s Ministry of Science and Technology (MCT) is the formal counterpart, and helps with the visa applications of Chinese staff and with the importation of all materials.

Although the ATDC is supposed by now to be self-sustaining, both governments are committed to its continued support. As one of the Mozambican government officials said: “the Centre will always be China–Mozambique ATDC, and Chinese experts will always be here as long as they like”. This suits all parties, as the ATDC has proved an important platform for China–Mozambique development cooperation and agribusiness investment. As the Director of the Mozambican Ministry of Science and Technology put it, “I think this kind of cooperation is better. It is different from aid from other developing countries. It’s visible and more effective”.

6. CONCLUSION

This paper set out to address three principal research questions. First, “what are the roles of the Chinese State and business actors in their engagement in Africa?”; second, how, and to what extent, are Chinese businesses in Africa regulated and constrained by the Chinese central state and influenced by the provincial state?; and third, what are the implications of these micro-level encounters in terms of shaping and influencing the ways in which Chinese state–business led development operates in practice?”

The widely held assumptions regarding Chinese engagements in Africa are that they are overwhelmingly concerned with the resources sector. In addition, it is believed that such engagements are undertaken primarily by the large Chinese SOEs and backed by Chinese state interests rather than the dynamic forces of the market. However, the empirical evidence demonstrates that, in practice, the picture is much more complicated. The conventional view provides only a partial explanation. This flawed generalized explanation of China’s role and impact in Africa increases the scope for misunderstanding the role and impact of Chinese investment.

There needs to be a greater understanding of the relationship between the Chinese state, mainly the Chinese central and provincial governments, and China’s increasingly diverse business sector. The case studies show how there is a proliferation of Chinese businesses in Africa acting independently or, depending upon ownership, semi-independently of the Chinese state. They are from different provincial locations in China, and with different relations with the central state. Driven by market pressures and the intensifying exposure to globalization, Chinese firms (both state-owned and private) principally operate to their own commercial priorities, although government and party ownership retain an influence on the policies and structures within which these firms operate. Our research shows, therefore, how the conventional wisdom of collusive state–business relations is misleading.

As the cases from Zimbabwe and Mozambique show, a key feature of China’s agribusiness is that the process of “going global” is driven significantly by China’s provinces, with their own provincial commercial imperatives, business cultures, and political directives. As the case studies show, business associations, notably the China–Africa Business Association (CABA), have started to step in, providing better quality information, training, and advice to Chinese firms. Overall involvement in African agriculture has therefore been driven less by the government in Beijing and much more by China’s provincial governments, businesses, and commercial associations.

If heterogeneity and lack of coordination defines the current picture of state–business relations, this does not preclude some level of coordination. Political and commercial oversight from Chinese embassies can be important, as can networks formed through various business associations. The ATDCs may act as important platforms, and conduits for business investment, often with strong links to particular provinces, and central state financing (Xu et al., 2016). ATDCs, with close links to Chinese embassies may become important vehicles for sustaining control over Chinese companies in Africa.

In sum, the Chinese “state”, just as Chinese “business”, does not exist in a singular, unitary form, with a standardized or even coherent position. The “state” and “business” take on many forms according to the way Chinese provinces and businesses are organized, reflecting diverse political and business cultures and forms of “state capitalism”. Contrary to common perceptions, not all state–business relations in Africa are the result of standard, party-driven, centralized SOEs, but involve a multiplicity of actors, all negotiating their positions. If “China” is not a homogenous bloc, it is also important to remind ourselves that “Africa” is diverse—experienced across multiple nation states, with different histories and experiences, and political–economic imperatives—as the contrasts between southern African neighbors, Zimbabwe and Mozambique show. Nor are African players silent, passive, or impotent, but have active agency (Mohan & Lampert, 2013; Scoones, Amanor, Favaretto, & Qi, 2016). As the case studies have shown, much state–business interaction in African agriculture is informal, unplanned, negotiated, decentralized, uncoordinated and run through highly diversified routes, including business associations, migrant networks, and a range of both central and provincial level companies and enterprises. All have “the state” embedded in them, as part of relationships, but in different ways and to varying degrees, adding to the complexity and contingency in explaining China–Africa relations on the ground in key sectors such as agriculture.

NOTES

1. China’s “Africa Policy”, January 2006 is available on the FOCAC website: http://www.focac.org/eng/zfgx/dxz/1481748.htm; the first public launch of the “Going Global” or “Going Out” strategy was by the then Chinese Vice Premier Wu Bangguo in an address at the opening ceremony of the 2001 Investment and Trade Fair in Xiamen, Fujian Province on 8 September; http://www.china.org.cn/english/GS-e/190333.htm.


3. In 2003, the State Development and Planning Commission (SDPC) was reorganised into the National Development and Reform Commission (NDRC); the State Economic and Trade Commission (SETC) and the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) were abolished, and the Ministry of Commerce (MOFCOM) was established, WT/TPR/S/161.
4. In Chinese terminology, the phrases, Chambers of Commerce, Business Association and Industry Association are sometimes used interchangeably. They are subtypes of two more general types of NGOs referred to as “Social organisations (Shenhui tuanti)” and “Private non-enterprise unit (Fei qiye danwei)”. Chambers in China are divided into “officially organised chambers” and “private chambers”.


18. Author interview, woman farmer Ms. Moyo, a 51 year old newly-resettled farmer; head of household of six, Harare, Zimbabwe, May 2014.


20. Author interview, Wanbao’s Chairman, Beijing, April 13th, 2014.


22. Author interview, Chinese farm manager, Darussalam, July 28th, 2014.


25. Author’s interview on Mozambican government officials, July 21, 2015.

26. Author’s interview Mozambique Ministry of Science and Technology Director, Maputo, August 13, 2014.

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