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Challenges and Opportunities in China's Overseas Special Economic Zones: Zambia and Mauritius Case Studies

Fernando D Atristain[1]

Resumen

A medida que China se enfrenta a una transición de un crecimiento económico generado por un alto índice de exportaciones hacia un crecimiento basado en actividades intensivas en capital y consumo interno, algunos países africanos se ha n convertido en objetivos de zonas receptoras de procesos de manufactura que China pretende relocalizar al exterior. El gobierno chino ha anunciado que apoyaría el establecimiento de 50 zonas internacionales de cooperación económica y comercio. Estas zonas ofrecen incentivos fiscales para permitir la presencia de empresas estatales chinas, además de incentivar un modelo delimitado a un espacio geográfico como catalizador de crecimiento económico orientado a la exportación. La principal tarea de la dinámica de zonas ubicadas en el África subsahariana será la de garantizar la adhesión a los marcos de regulación de los países anfitriones y la adopción de prácticas responsables de las empresas estatales chinas. Estos son elementos que son considerados actualmente por el círculo de líderes del gobierno de China, dados los movimientos sociales que han desestabilizado la región norte de África.

Palabras Clave: zonas económicas de cooperación y de comercio en el exterior de China, cooperación sur-sur de China, empresas estatales de China.

摘要:

由于中国正面临着从劳动密集型出口导向经济增长模式转型到基于资本和科技密集活动的经济增长模式，一些发展中国家开始逐渐成为中国向海外输出制造工序战略的目标国，战略目的在于使中国经济在价值链中上移。中国政府宣布，中国将支持建设大约**50**个海外经济贸易合作区。 中国政府急切地到处实施的境外经济和贸易合作区还没有一个轮廓清晰的模式。重要的是要完善中国政府机构、国有和非国有企业、地方政府机构以及私人企业家间的政策协调，以遵循国际准则， 以及东道国的监管框架，这些可以确保当地经济的发展和中国在非洲可持续的并被接受的存在。 全球治理新举措的要素和中国国有企业对负责任行为的信守可能从长远来说要更有利于这些合作区在非洲大陆上的建立。中国领导层已经考虑到这一因素，尤其是在最近动摇北非地区稳定的社会运动发生之后。

关键词：中国境外经济特区， 中国式的南南合作， 中国的国有企业

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Abstract

As China faces a transition from labor-intensive export-oriented economic growth to economic growth based on capital-intensive activities, some African countries have become target areas for China's strategy to offshore manufacturing processes. The Chinese government has announced that it will support the establishment of 50 Overseas Economic and Trade Cooperation Zones (OETCZ). These zones will provide fiscal incentives to enable the presence of Chinese State-Owned Enterprises and serve as catalyst to a geographically delimited development model of export-oriented growth. The dynamics of these zones will mainly ensure compliance with the host countries' regulatory frameworks and the adherence of Chinese State-Owned Enterprises to responsible practices that may in the long run be more beneficial to the establishment of these enterprises on the African continent. These are elements that are already being considered by the Chinese leadership especially after the emergence of recent social movements that have destabilized the North Africa region.

Keywords: China Overseas Economic and Trade Cooperation Zones, China South-South Cooperation, China's State-owned enterprises

Content

Introduction

China's expansion throughout the developing world today is undeniably driven by a multiplicity of interests, one of which is the desire to obtain sources of raw materials and energy for ongoing economic growth. This has been noted in recent academic and political debates. However, China's national interests have been evolving at the same time as its domestic context, especially as China pursues a transition from labor-intensive export-oriented economic growth to capital- and technology-intensive growth. Among the various initiatives taken by China, a number of developing countries seem to have become target areas for China's State strategy to offshore manufacturing processes. This strategy has been a top priority in the economic rebalancing plan outlined in China's Twelfth Five-Year Plan to promote inward-driven growth, which coincidentally has been greatly welcomed by top financial figures such as World Bank President Robert Zoellick who applauded moving low value-added manufacturing Chinese firms to developing countries because of its positive impact on development and economic growth[2]. Nevertheless, since 1984, the Chinese government has promoted this strategy -identified as the "Go Global" strategy- with the purpose of enhancing the presence of Chinese State-Owned Enterprises abroad. As part of this strategy, in recent years, China has deliberately begun promoting the establishment of specific areas within some developing countries, identified as Special Overseas Economic and Trade Cooperation Zones. These zones are believed to mimic the development model that served as a pivotal mechanism in China's market liberalization and export-oriented growth since 1978. Since 2006, the Chinese government announced that it would support the establishment of nearly 50 Overseas Economic and Trade Cooperation Zones and as of 2011, the designated zones are in the process of being set up in countries like Algeria, Cambodia, Egypt, Ethiopia, Indonesia, Mauritius, Mexico, Nigeria, Pakistan, Russia, South Korea, Tanzania, Thailand, Venezuela, Vietnam and Zambia. These areas are meant to provide liberalized investment environments focused on strategic industries to attract foreign companies.

The original Special Economic Zones (SEZs) in China were implemented to empower its economy in relation to the growth processes in Taiwan, Hong Kong and Singapore[3]. The logic followed by Deng Xiaoping and Zhao Ziyang played a crucial role in the beginning of the Chinese modernization process. In 1987, they promoted a coastal development strategy aimed to capture a huge market for labor-intensive products and industries that nearby countries were pushing aside, as they moved through the product cycle. The latter process is conceptualized in the "big international circle theory", which allowed China to seize the opportunities resulting from structural changes in global production and trade[4]. These transitions allowed China to become an export-launching platform of labor-intensive products. This policy has been widely studied and critically approached, arguing that an explicit policy of allowing some regions and consequently some peoples to develop first may in itself not be the ideal recipe for stable and equitable social order. However, it is undeniable that it was precisely a spatial concentration of good technology, a reasonably qualified and cheap labor force, the blending of political authoritarianism and economic reform with an adaptive form of state interventionism mixed with export-oriented and import-substitution industrialization together with its coastal location that helped China initiate a more holistic State-controlled process that led to successful integration into today's world capitalist market. It has been widely pointed out that China has digested, absorbed and remolded advanced technologies from abroad, leading to an imminent need to move its mature industries to Western China and some developing countries. In view of the overall performance of the Special Economic Zones in China, several observers have come to wonder whether this model could be replicated elsewhere and have started to evaluate the long-run implications this might have.

China in the World: An Overview of China's Security Strategy

In order to understand the backbone of China's driving interests in off-shoring Overseas Special Economic Zones to some developing countries, it is necessary to have an in-depth consideration of China's domestic strategy that translates into a definitive set of actions in the realm of foreign policy. In this regard, China's explicit intention to join the ranks of the world's most advanced nations as well as to provide better living conditions for its population has traditional and non-traditional security-related underpinnings.

During the 19th century, China suffered constant conflicts with industrialized countries that led it to become a semi-colony. Mao Zedong saw China as a large country with a vast territory and population, which nonetheless was a weak power in terms of its economic and technological capabilities. This weakness was transformed when Deng Xiaoping gave more importance to overcoming China's backward economy. The modernization process broadened the national security perspective, including social, economic, scientific and technological elements in the security agenda. In the current international system, a strong self-reliant and economically solid country would be able to provide basic security. In addition to expanding the national security perspective, modernization led to a reassessment of the international environment, and hence of its potential use to China's advantage in its modernization process through the role played by the international economy as well as international

2 Zoelick, Robert, China May Unite on Africa Jobs Transfer, Bloomberg, Beijing, 2011.

3 Power and Mohan. China and the Geopolitical Imagination of African 'Development', China – Africa Development Relations, Routledge, London. 2010, p.50.

4 Kim, Samuel, Thinking Globally in Post-Mao China, Center for International Studies and Woodrow Wilson School of Public and International Affairs, Princeton University, USA,1990, pp. 198

institutions and regimes. However, some sectors of the current political leadership in China continue holding a hostile perception of the international system. To some Chinese leaders, the perception of the post-Cold War international power structure features one superpower: the U.S. plus the major powers it is allied with. As international economic competition becomes more intense, China is perceived to be willing to do whatever it takes to widen its access to foreign markets, capitals, and technologies as well as to mineral and oil resources since any protectionism against China may hinder the pace of its current domestic development. China's domestic perception is thus extremely important, particularly since an unwritten social contract is claimed to exist between the Chinese Communist Party (CCP) and the Chinese people, where the people do not compete for political power as long as the CCP looks after Chinese economic prospects[5].

The Developing World in China's Strategy

Since China's "Opening Up" policy in the late 1980's, trade, outbound Foreign Direct Investment (FDI) and foreign aid have become important means for China's strategy and relations with developing countries. Recent figures of bilateral trade between China and developing regions show a dramatic increase within a short time period. China-Africa trade went from US$10bn in 2000 to US$114.8bn by 2010[6]. China-Latin America and the Caribbean trade went from US$8bn in 1995 to US$143bn in 2009[7]. The thriving trade between China and Southeast Asian countries was preliminarily estimated to reach US$250bn in 2010 and has furthermore been projected annually from the beginning of the Free Trade Agreement between China and the Association of Southeast Asian Nations (ASEAN)[8].

China has proven to continue increasing outbound Foreign Direct Investment (FDI) dramatically. Since the period from 1982 to 1989 general FDI went from USD 453 million annually to USD$17.6 billion in 2006 and then to nearly USD$57 billion in 2009[9]. Outbound FDI has been vigorously led by both Chinese Private and State-Owned Enterprises (SOEs), which rely on capital from banks such as the Export-Import Bank of China and the China Development Bank. Outbound FDI relates to China's increasing perception that the macroeconomic situation might actually be taking a favorable turn throughout various developing countries. Several analysts have correlated the trends of outbound FDI and the objectives of the "Go Out" or "zǒu chū qù" (走出去) policy[10] defined in the People's Republic of China (PRC) Eleventh Five-Year Plan (2006-2010). This strategy encouraged Chinese State-Owned Enterprises to invest overseas and acquire brands, technologies, distribution and sales channels in order to accelerate their integration into the global economy. This policy is also said to be related to the aim of encouraging national companies to aggressively secure energy and other raw resource in order to avoid the consequences resulting from rising commodity prices and supply shortages that may affect China's ongoing industrialization. Some authors observe a trend emerging from the current emphasis on China's Overseas FDI in energy, raw materials and services that will shift toward the development of manufacturing and service centers in overseas markets[11].

Another very closely related determinant of China's increasing presence in the developing world is its foreign aid activity, which is directed to China's strategic economic interests. Independent estimates of the total amount of foreign aid that the PRC has allocated to some regions in recent years start from US$1 billion in 2002 to $25 billion by 2007[12]. However, in April 2011, the State Council disclosed the very first report on Chinese Foreign Aid, reporting a budgeted foreign aid from 1950 to 2009 totaling RMB 256.2 billion or US $39.2 billion[13]. Aid is administered through a specific institutional framework provided by the Export-Import Bank of China. This bank was established in 1994 and works as a government policy bank under the direct supervision of the PRC State Council. Interestingly, the bank is the official export agency looking after trade and investment guarantees and it also provides aid administration by evaluating project feasibility[14]. Nevertheless, the perception of China's leadership along with Chinese companies in various regions of the developing world that are rich in natural resources, such as crude oil, nonferrous metals, fisheries, ground seeds and other inputs on which Chinese economic growth relies has made foreign aid and China's banks the most effective means to help to ensure the feasibility of aid projects as well as access to these regions. In this respect, the Bank provides credit lines to Chinese State-Owned Enterprises that focus on infrastructure as well as energy, mining, and industrial sectors. The EXIM Bank foreign loan program is closely coordinated and partially funded by the Chinese Ministry of Commerce's aid budget to subsidize its concessional lending[15]. In this regard, the China Ministry of

5 Breslin, Shaun, China and the Political Economy of Global Engagement, Political Economy and the Changing Global Order, 3rd Edition. Oxford University Press, Ontario, 2005, p. 465-477.
6 Bi Mingxin. China-Africa Economic and Trade Cooperation, Information Office of the State Council, The People's Republic of China. Xinhua News Agency. Beijing, 2010
7 Schmidt, Susan and Nicholson, Tara, China's Relationship with Latin America in Perspective, World Trade 100 Magazine, 2010, p. 5
8 Ibid.
9 Davies, Ken, Outward FDI from China and its Policy Context, Vale Columbia Center on Sustainable International Investment, Columbia University, USA, 2010. p.2
10 Zhou, Jichuan. To Better Implement the "Going Out" Strategy (Gèng hǎo dì shíshī"zǒu chūqù" zhàn), State Council, National Research Department. 2006.
11 Davies, Martin, Perspectives on Global Development 2010. Shifting Wealth. How China is Influencing Africa's Development, OECD Development Centre, France. 2010, p. 4
12 Lum, Fischer, Gomez-Granger, Leland, China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia, New York University Robert F. Wagner Graduate School of Public Service. USA, 2009, p. 6
13 Pan Yingqiu, China's Foreign Aid, Information Office of the State Council, The People's Republic of China, China. 2011
14 Davies, Martin, Perspectives on Global Development 2010. Shifting Wealth. How China is Influencing Africa's Development, OECD Development Centre, France. 2010, p. 11
15 Ibid

Commerce (MOFCOM) is another crucial institutional agent promoting the "Going Out" strategy, but more importantly, it has been essential in financing offshore operations in designated Overseas Chinese Economic Zones. As reported by Brautigam, Farole and Xiaoyang, the Ministry of Commerce "established a competitive tender process for zone projects, under which winning bids were eligible to receive incentives that include grants, long-term loans of as much as RMB 2 billion (US$294 million) and subsidies to cover up to 30% of some preparation costs, rebates on interest for Chinese bank loans, and diplomatic support in working with host governments"[16].

China's Overseas Economic and Trade Cooperation Zones in Africa

The Special Economic Zones in China have been operating for more than 30 years, and both their inward and outward expansion today connotes a certain degree of success that has sparked imminent international attention, particularly from African countries. Since 2006, with the announcement of the creation of these zones and their premature development on the African continent, there has been a mild reaction from analysts in academic circles as well as in the media. Throughout the various evaluations of the primary steps of a variety of Chinese Overseas Special Economic Zones in Zambia, Egypt, Nigeria, Sierra Leone, Mauritius, Uganda and Ethiopia, several authors have expressed both concern and praise. To some, the strategic intent of Special Economic Zones in Africa is to offset the risk of protectionist trade practices against "Made in China" products by moving production offshore to foreign economies, assist Chinese enterprises to better permeate untouched markets and regions in the international economy, minimize the extent of risk for Chinese firms when investing abroad and provide them with protection through government-to-government agreements, and finally promote industrial competitiveness through clustering enterprises within common industries[17]. In addition, some considered that the initial establishment of export processing zones would provide employment opportunities, increased exports from local economies, opportunities for local African companies to partner with Chinese enterprises, direct investment in the manufacturing sector, reduction of business risk on the African continent and the initial catalyst for new economic growth nodes across the African continent [18].

From the perspective of the performance of the Chinese economy, some perceive a transition point where labor costs rise and there exists an official intent to leave entry-level industries behind. Consequently, this trend would make Chinese industries move to other parts of Asia, Western China, as well as Africa. However, some concern arises when the principles of profitability and business sustainability are noted to prevail over the political commitments of cooperation with the host African countries where the Special Zones are located. Careful consideration of the zones' business profitability is deemed likely to make overseas special economic zones sustainable on the African continent, but deep concerns arise as these zones are being taken by Chinese State-Owned Enterprises to be developed according to their own assessment of business feasibility. This makes it difficult to foresee a genuine transfer of knowledge, significant employment gains as well as a much-needed industrial transition throughout the targeted African countries.[19] In order to evaluate the development of these zones, the cases of the Zambia Chambishi Zone and Mauritius Jian Fei Economic Zone will be reviewed in order to identify both their challenges and opportunities.

Case Study 1: Zambia Chambishi and Lusaka Multi-Facility Economic Zones

Zambia-China relations have been characterized by a strong historical significance through almost five decades. During the independence and liberalization movements in Sub-Saharan Africa, newly independent Zambia reached out to the international community to breach the lack of access to coastal areas since white minority regimes in its bordering countries were against any black majority rule. China extended its assistance to complete the construction of a 2,000 km railway to link Zambia to the Tanzanian port of Dar es Salaam in order to define an alternative export route to the routes crossing Rhodesia, South Africa and Mozambique. Until today, the Tanzania-Zambia (Tazara) railway remains a meaningful symbol of the China-Zambia alliance. Despite the economic reforms and the fluctuating investment environment in Zambia since its independence, China has remained actively engaged. From 1967 to 2007, China provided RMB 1,413.79 million for development cooperation[20]. Trade has expanded exponentially with major tax exemptions that China has granted to Zambian commodities. Despite the fact that Zambia has enjoyed a surplus over China, this is mainly due to bulk purchases of Zambian copper. Zambia is Africa's largest copper producer with an output of 667,000 tons in 2009. Several estimates consider that Zambia's output will reach

16 Brautigam, Farole, and Xiaoyang, China's Investment in African Special Economic Zones: Prospects, Challenges, and Opportunities, Economic Premise, World Bank, USA, 2010, p 3

17 Davies, Martin, Special Economic Zones: China's Developmental Model Comes to Africa, China into Africa: Trade, Aid, and Influence, Brookings Institution Press, UK, 2008, p. 137

18 Ibid., p. 153

19 Brautigam, Derborah and Xiaoyang, Tiang, African Schenzhen: China's Special Economic Zones in Africa, Cambridge University Press, USA, 2011,

20 Mutesa China and Zambia: Between Development and Politics in Cheru and Obi. 2010. The Rise of China and India in Africa. The Nordic Africa Institute. Zed Books, London. Pp.167

800,000 tons in 2011, and one million tons by 2012[21]. After South Africa and the UK, China is the third largest investor in Zambia. Chinese investment in Zambia is mainly oriented to agriculture, construction, engineering, health-care, manufacturing, mining, services and tourism[22].

In recent years, the Zambian government through its Minister of Commerce, Trade and Industry promoted a specific policy among many reforms that would allow certain territories to become areas that might trigger industrial and economic development in the manufacturing sector. This policy was set up to enhance both domestic and export-oriented businesses in Zambia. In 2006, the Zambia Development Agency Act No. 11 sanctioned the establishment of Multi-Facility Economic Zones (MFEZs) in Zambia. Among the government incentives that came with the designation of these zones were tax exemptions as well as zero percent corporate tax rates on profits, zero percent tax rates on dividends of companies operating under the Zone/Priority Sector as well as zero percent tax rates on profits made by companies operating in the Zone/Priority Sector, all for a 5-year period. From the 6th to the 8th years, only 50% of the profits were to be taxed and from the 9th to the 10th years, 75% of the profits were to be taxed. Another important incentive was the five-year zero percent import duty rate on raw materials, capital goods and machinery, including trucks and specialized motor vehicles for enterprises operating in the Zone[23]. The timing of this act seemed to have been well coordinated with the prospective visit President Hu Jintao was to make to Zambia in 2007. As a result of this visit, President Hu Jintao announced a set of measures destined to boost the bilateral relation including debt relief initiatives, an expansion of Zambian tariff-free exports to China and the establishment of China's first special economic and trade zone in the Chambishi mining area. During that same visit, Chinese President Hu Jintao unveiled the zone plaque together with Levy Patrick Mwanawasa, the former President of Zambia[24].

The first of the two Economic Zones[25] in Zambia was created in the Chambishi region by China Nonferrous Metal Mining Corporation (CNMC). It lies in the center of Zambia's copper belt region. In this same area, CNMC had already established a copper mine since 1998, which was operated through a subsidiary, Non-Ferrous Metals Corporation Africa (NFC Africa) together with the Zambian government, the latter holding a minority of 15%[26]. This area houses the Chambishi Copper Mine, the Chambishi 150,000-ton copper smelter, the Chambishi Leach Plant and the Chambishi Sulfuric Acid Plant. The Chambishi Zone is claimed to provide 150,000 tons of crude copper, 600 local| jobs and a $300 million increase in Zambian exports[27]. Further government projections consider that by 2011, the Chambishi Zone is to accommodate fifty to sixty zone enterprises with an output volume exceeding US$1.5 billion per year, of which more than US$600 million will be generated from exports, employing more than 6,000 local workers[28]. Further considerations from the Zambian Ministry of Commerce report progress in the second Zone in Zambia, identified as the Lusaka Sub Zone. This zone would also be developed by CNMC, which was to lead the construction work next to the Lusaka International Airport. The nature of this zone would focus on light manufacturing activities such as textiles and clothing, household appliances, manufacturing and food processing, as well as services such as the provision of conference and hotel facilities[29].

Independent or non-government-related assessments generated by field visits to the Chambishi zone by November 2009 have rendered complementary information on the zone's preliminary conditions. The zone is reported to have drawn 11 companies and US$760 million in investment. These companies employ about 4,000 workers, 80% of whom are local Zambians[30]. However, most of the 13 companies investing in the zone are CNMC subsidiaries and were already present in 2006. Haglund assessed the performance of the main subsidiary, Non-Ferrous Metals Corporation Africa, which operates in a network structure with a range of 'sister companies' in Chambishi, producing inputs for other mining companies[31]. This network enables future entrants to leverage the experiences of already-established companies. In this sense, NFCA facilitates entry into the Chambishi Special Economic Zone[32]. Direct contact with the Zone's officials has disclosed plans to have forty Chinese companies and at least ten from other countries, including Zambia, engage in activities in the zone by 2011[33]. Further analysis considers that out of the 4,000 workers employed within CNMC, *only 600 are in the zone itself*, the majority being in the mines or at other subsidiaries. This is noteworthy as a report by the World Bank Poverty Reduction and Economic Management Network states that technically-speaking

21 China Interfax. CNMC's Zambian Copper Mine Begins Operations. Interfax Business News. China. 2010
22 Mutesa, Fred, China and Zambia: Between Development and Politics, The Rise of China and India in Africa, The Nordic Africa Institute, Zed Books, London, 2011, p.172
23 Ministry of Commerce, Trade and Industry Government of the Republic of Zambia, MULTI FACILITY ECONOMIC ZONES! WHAT ARE THEY? Zambia Government. 2006
24 Construction of China-Africa Economic and Trade Cooperation Zones Proceeds Smoothly. People's Daily Online. China. 2009.
25 The second Multi-Facility Economic Zone in Zambia will be developed in Lusaka jointly by Kulim High Tech Park Corporation of Malaysia with the support of the Japanese Government through the Japanese International Cooperation Agency (JICA). Ministry of Commerce, Trade and Industry Government of the Republic of Zambia, MULTI FACILITY ECONOMIC ZONES! WHAT ARE THEY? Zambia Government. 2006.
26 Mutesa China and Zambia: Between Development and Politics in Cheru and Obi. 2010. The Rise of China and India in Africa. The Nordic Africa Institute. Zed Books, London. Pp.167
27 President Rupiah Banda, Chambishi Smelter to Create More Jobs, All Africa News. Zambia, 2009.
28 Ibidem.
29 Mutati, Felix, Statement on the Multi-Facility Economic, Zambia National Assembly, Zambia, 2009.
30 Brautigam, Derborah and Xiaoyang, Tiang, African Schenzhen: China's Special Economic Zones in Africa, Cambridge University Press, USA, 2011, p. 40
31 Haglund, Daniel, Policy Evolution and Organizational Learning in Zambia's Mining Sector. Department of Economics and International Development University of Bath, UK, 2009, p. 229
32 Ibidem, p. 230
33 Brautigam, Derborah and Xiaoyang, Tiang, African Schenzhen: China's Special Economic Zones in Africa, Cambridge University Press, USA, 2011, p 43.

mining activities and CNMC subsidiaries are not considered part of the zone[34]. Brautigam reports that in the Zone, the ratio of Chinese to Zambian workers was about 400 to 500 during the early phase of construction, machinery installation, and training. By the late 2009, there were approximately 700 Chinese and 3,300 Zambians working in the Chambishi area, including the ' mines. Some other CNMC subsidiaries that have already opened in the zone report that they have an average of two Chinese workers to every eight Zambians[35]. Furthermore, the labor conditions of low wages and deplorable working conditions that led to organized labor demonstrations in the mines and factories are still a latent conflict. Brautigam reports that by 2010, Zambian workers in the mines had managed to increase their wages by 12–15% on average, and had gained other benefits through their unions[36]. However, in late March 2011, it was reported that at least 600 workers at Zambia's Chambishi Copper Smelter went on strike over a wage dispute. Several reports say that operations were halted for a day, but quickly resumed as wage negotiations began. Several notes report that a prolonged halt would "hurt operations of several mining companies, such as Toronto-listed Equinox Minerals Ltd., which owns Lumwana Copper Mines in Zambia's North Western province; South Africa-based Metores Ltd., owners of Chibuluma Copper Mines; and the rest of the Chambishi Copper Mines"[37].

Challenges Faced by the Chambishi Trade and Cooperation Zone

The case of the Chambishi Multi-Facility Economic Zone (MFEZ) is the clearest depiction of how a diversity of actors can interact in order to pursue particular objectives. The pressing role of the Chinese State Council on the direct administration of one of the largest State-Owned Enterprises, such as the China Nonferrous Metal Mining Corporation in the endeavor of developing the Chambishi Cooperation Zone reflects the basic importance that securing mineral resources has for China. However, therein also lies the symbolic initiative to understand the host country's demands. Furthermore, the State Council has organized delegation visits to Zambia in order to visit the Zambia-China Economic and Trade Cooperation Zone. Hui Liangyu, Vice-premier of the Chinese State Council led the last delegation visit at the beginning of 2011. An interesting feature was the meeting Liangyu held with Yang Qingcai, the Chief of the Overseas Agriculture Development Project and former Deputy Minister of Jilin Province who heads the agriculture development plan in the Chambishi Zone by cooperating with CNMC[38]. The Vice-Premier stressed the need to further strengthen cooperation in agriculture, mining, trade and infrastructure[39]. However, until 2011 there had not been any explicit evidence of any cooperation agreement to develop non-copper related industries in the zone. This underscores an issue that could have considerable importance in the future: the role of Chinese provincial actors in China's foreign policy. In this respect, the Jilin Province has actively been a new player in China's foreign policy, particularly with regard to initial steps to undertake agricultural cooperation projects in Zambia.

Further coordination and recent designations of China's banking institutions have also complemented further development of the Chambishi Zone. The China Development Bank started the China-Africa Development Fund in 2007, and opened an office in Lusaka in 2009 to coordinate investments in Sub-Saharan Africa[40]. A major challenge arises when companies like CNMC are not subject to the regulations that other companies working in Zambia have to comply with. In order to raise capital to venture into Zambia, some firms have to raise debt capital in international markets, which is associated with regulatory pressures. As Dan Haglund considers, the international banks require compliance with the Equator Principles which provide for regular audits by independent consultants of the applicant's social and environmental management systems. Furthermore, stock market-listed firms are required to report audited financial accounts prepared to international accounting standards. Chinese State-Owned Enterprises can avoid this as they have their own banks providing financial means.

However, an important element at this stage is the role played by the reforms enhanced by the economic liberalization promoted by the Zambian government. According to a general assessment of the Zambian investment environment, it appears that the economic reforms, tax incentives and other regulations put in place to attract FDI have allowed investors to take 100% of their profits out of the country. In addition, the Bank of Zambia maintains a non-interference approach, resulting in little, if any, intervention in investment matters by this institution. A rigorous legal framework to translate investment into development is needed.

Despite the fact that companies developing the zones are state-owned, and might appear to be a 'government to government' type of relation, it is the companies that are leading these interactions. This situation has neglected efforts to promote community relations and corporate social responsibility practices to ensure stable operations. In this sense, Chinese investors appear to urge cultivating closer relationships with members of the Zambian central government[41]. This is of particular importance

34 Brautigam, Deborah, Farole, Thomas and Xiaoyang, Tiang. China's Investment in African Special Economic Zones: Prospects, Challenges, and Opportunities. Economic Premise. World Bank. USA. 2010, p. 4

35 Brautigam, Derborah and Xiaoyang, Tiang, African Schenzhen: China's Special Economic Zones in Africa, Cambridge University Press, USA, 2011, p 43.

36 Ibidem, p. 49

37 Zambia Chambishi Copper Smelter Workers End Strike; Talks to Resume. Fox Business. USA. 2011.

38 Chinese Vice Premier Calls for Further Cooperation with Zambia. People's Daily Online. 2011.

39 Ibidem

40 Nyati, Kalonde, We Need Chinese Investors, Zambia Daily Mail, Zambia, 2011.

41 Haglund, Dan, Regulating Diversity: China and the Changing Composition of Zambia's Mining Sector, Center for Chinese Studies China Monitor, Stellenbosch University, South Africa, 2009, p. 15

as reforms have been implemented in Zambia in order to welcome FDI without continent fully considering the impact it has on local markets and labor, poverty reduction, development and the environment. The biggest challenge ahead is whether or not Chinese State-Owned Enterprises will be willing to follow regulations within foreign territories. In some cases, CNMC is willing to do so. In addition, certain irregularities have the potential to minimize local regulations in the Zone. In the case of NFCA, there is proof that there has not been any auditor sign-offs on the accounts lodged with the Zambia Revenue Authority. This is of great importance as the transfer pricing, whereby companies reduce tax payments by engaging in intra-company sales and purchases at non-arms-length basis is widely used in the sector. On the other hand, a challenge the Zambian government faces is its willingness to compromise the use of the zone. CNMC insisted that non-Chinese foreign investors are specifically welcome. The latter was said to contrast with the intention of the Zambian Minister of Commerce, Trade and Industry to have the zone as solely Chinese. However, CNMC wanted the zone to remain open to other investors in order to add value to the raw materials used in the Chambishi zone. The impact of worker mobilizations that halted the production of the Chambishi Smelter, affecting both Canadian and South African companies in the area, clearly proves how the presence of other companies seems to be important for CNMC.

Further challenges include a broad spectrum of issues that may be difficult but not impossible to tackle. For instance, it has been said that language problems increase the propensity for dangerous mistakes within the mines. According to Haglund, an NFCA employee reported that poor communication was the reason why this company had the highest number of underground fatalities. Other issues such as land compensation around the Zone areas are of major importance. There is a need to guarantee compensation to local people living off land foreign investors have set their eyes on. Environmental issues are cited as important according to Brautigam. The zone master plan at Chambishi calls for an environmental assessment, and certification by the International Organization for Standardization ISO 14,000 environmental standards. There is so much to be tackled in face of the development of this particular zone that it is impossible to assess the potential for an industrial transfer to any sector of the Zambian economy, at least at this stage in time.

Case Study 2: Mauritius Jin Fei Economic and Trade Co-operation Zone

Relations between China and Mauritius have been characterized by their active nature since they were officially established on April 15, 1972. Despite the brief duration of these diplomatic relations, the Chinese have been present in Mauritius since the 19th century. Mauritius was then under British control that led to the use of indentured labor from Asia, which consequently brought more than 200,000 Indian and Chinese immigrants to Mauritius and changed the ethnic composition of the inhabitants. These dynamics led Indian immigrants to become the prevailing group working in agriculture and the Chinese to become small traders. Further political and economic factors led Mauritius to its independence in 1968 and to further adopt reforms that would take its economy -based on a single commodity: sugar- into a diversified and export-led economy by the 1970's. Mauritius proved to be one of the first countries to experiment with the establishment of an Export Processing Zone (EPZ). Several analysts consider that Chinese businessmen were the main actors in bringing the idea of textile and apparel manufacturing to the Zone in order to start the country's industrialization[42]. After France and India, China is the third importing country of importance in Mauritius[43]. However, the relationship has recently faced stumbling blocks as the Mauritius textile industry experienced a major setback with the loss of 25,000 jobs[44], when global trade preferences came to an end with systems such as the Multi Fiber Arrangement expiring in January 2005. The latter led to the opening of markets to Chinese textiles. Some tensions were felt in the relationship as Mauritian textile companies reported having the capacity to offer high-quality goods more quickly, but had to face their inability to compete with China in terms of labor costs or economies of scale.

Despite this, a new Industrial Export Zone was announced in mid-2007. This resulted from the Chinese State-Owned Enterprise Tianli Group's proposal in October 2006 to develop an integrated industrial zone in Mauritius. The Mauritian Prime Minister Navinchandra Ramgoolam, who was actively persuading Wen Jiabao and Hu Jintao in the Forum on China-Africa Cooperation (FOCAC) held in 2006, is said to have been pleased to receive this proposal, envisaging the island as a business platform between Asia and Africa. He found this idea very alluring. In 2007, the negotiations between the Mauritius Government and Tianli and the Chinese Ministry of Commerce finally led to the signing of a framework agreement for the establishment of the Tianli Zone[45]. However, due to complications with the project on the allocated land, environmental concerns and several financial constraints, the project was halted until the presence of new investing partners was obtained with the direct intervention of President Hu Jintao in 2009. Two State-Owned Enterprises from Shanxi Province joined Tianli in early 2009, Taiyuan Iron & Steel Company (TISCO) and Shanxi Coking Coal Group. Currently, TISCO holds 50%, Shanxi Coking 30.2%, while Tianli is now a minority partner with 19.8% in the investments to develop the zone. These companies are registered in China as the JinFei Investment Company and a fourth member, the China-Africa Development Fund, is expected to join the proj-

42 Ibidem, p. 16
43 Ancharaz, Vinaye. Mauritius: Benefiting from China's Rise. Commentary, Center for Chinese Studies, Stellenbosch University, South Africa. 2009, p. 8
44 Ibidem. p. 9
45 Alves, Ana Cristina, Chinese Economic and Trade Co-operation Zones in Africa: The Case of Mauritius, South African Institute of International Affairs (SAIIA), 2011, p. 6

ect as an equity partner. Alves reported the content of the new arrangement that was reached in 2009 as follows: "A new pledge on investment was increased to $750 million. The construction period was extended from five to eight years, with a two-phase implementation to be completed in 2012 and 2015. The land lease remains in place for 99 years, but rental will now increase by 50% every 15 years. The targeted sectors are now: real estate (offices, residences, shopping malls, residential estates, warehousing and logistics, private clinics); hospitality centers (hotels, exhibitions centers, convention centers, leisure parks, restaurants); knowledge hubs (universities, research and development centers, business labs, techno parks); and logistical and manufacturing sites (high tech industries, marine processing, light industry, construction material and logistic distribution centers – mostly for exports to Africa). The zone is expected to generate $212 million yearly in export revenues.[46]"

According to the Mauritius government, the zone will focus on the service industry with Chinese enterprises operating and investing in mainland Africa. The Mauritius government has constantly qualified the project as the largest integrated development project ever undertaken in the country, as it will represent the most important single source of foreign direct investment in the country with nearly USD$800 million FDI over five years, the creation of some 34 000 direct jobs, and the development of the region while integrating the capital and other villages to major economic activities. The project is to be implemented in two phases over a five-year period. The first phase is to be developed over a surface area of 70 hectares of land, which will include a road network and utilities infrastructure, an industrial zone, a business center and hospitality facilities. This was to begin in September 2009 and be completed by 2012. The second phase would start by the end of 2010 on a surface area of 141 hectares of land, comprising an area of solar power generation, ocean product processing, medication and medical instrumentation, stainless steel product processing, education and real estate development[47].

Independent or non-government related assessments consider that this zone will be developed due to Mauritius' valuable position of becoming a destination for Chinese investment in the rest of Africa. The incentive to start this zone in Mauritius is based on its excellent location on the Indian Ocean Rim, the fact that it is an offshore financial center with attractive investment laws, that its economy is well integrated into the economies of South Asia and Europe through the Lomé Agreement, of North America through the Africa Growth and Opportunity Act (AGOA) agreement, and of the rest of Africa as it is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). It thus enjoys preferential market access into the African region. Further independent assessment made by Brautigam through in-situ research reports that the Tianli Group Economic Zone moved significantly from the original idea of an industry-related zone like the one facilitated in the 1970's. The new designs of the zone are meant to represent an environmentally-friendly way to enhance a zone that could attract value-added investors in order to boost the future service-oriented economy of Mauritius. Brautigam describes the plans of the zone representing a modern airy city with boulevards of filao and garden trees with views of the Indian Ocean. This zone will be built using *feng shui* design principles. The zone is to be positioned as an "i-Park" emphasizing "intelligence, innovation, incubation, interaction" (Brautigam, 2009). The zone's plans are set up to enhance an area where Chinese companies that are active in Africa can establish their regional headquarters. This zone will comprise a logistics center, two hotels, an international conference center, a medical center, wholesale and retail shopping centers, an informatics tower, as well as a bilingual Chinese-English boarding school for the children of executives stationed in other parts of Africa[48]. Further independent assessment stresses the fact that the Mauritius government has had the most open approach to Chinese workers. The zone was at first expected to use 5,000 workers at full development, half Mauritian and half Chinese. By March 2008, nearly 23,000 foreign workers were legally employed in Mauritius, most from India, Bangladesh and China[49]. Brautigam assesses that Mauritians have raised concerns about the number of Chinese workers expected in the zone. In the first phase of construction, it was reported that the developers had employed 190 Mauritian workers and 30 skilled workers from China (Koolomuth 2010).

A security consideration may be defining the interest of this particular OETCZ. This is evidenced by the active State visits by Hu Jintao to the island, as well as Chinese involvement in unblocking the development of the zone. Some analysts state that it is simply logical to ensure access to this particular region. India already enjoys a strong security relation with the littoral states of the western Indian Ocean, the USA and the UK jointly operate a naval base on Diego Garcia and France has a base on Reunion[50]. It is thus understandable that China should seek to establish its presence in the world's third largest body of water crossed by 90% of global commerce and about 65% of all oil trade[51]. This particular initiative may be interpreted as a diplomatic maneuver towards the littoral states of the eastern Indian Ocean into what has been identified as Beijing's "string of pearls" strategy. As Raine would assess, with more than 30% of China's imported oil now coming from Africa, it would be

46 Ibidem, p 11.

47 Mauritius Jinfei Economic Trade and Cooperation Zone Project Kicks Off. Mauritius Government. Mauritius, 2009.

48 Brautigam refers to the description of the zone in a DVD prepared by Shanghai firm Wand Strategy Consultants, in which the overall design of the zone was envisioned as a state-of-the-art project. Brautigam, Deborah. The Dragon's Gift: The Real Story of China in Africa. Oxford University Press, USA, 2010, p. 103.

49 Government of Mauritius, 'Digest of Labour Statistics 2008', Central Statistics Office; Government of Mauritius, Ministry of Labour, Industrial Relations, and Employment, Mauritius, 2008.

50 Raine, Sarah. Sino-Mauritian Relations: The Geopolitical Perspective. Center for Chinese Studies. Stellenbosch University. South Africa. 2009, p. 12

51 Kaplan, Robert, Center Stage for the 21st Century: Power Plays in the Indian Ocean, Foreign Affairs, 2009, p.7

entirely logical that China's growing commercial and political relations with Africa would bring a parallel interest in improving security relations, in particular with the littoral and island states of the western Indian Ocean, including Mauritius.

Further challenges in the Zone may be related to environment, labor and safety concerns. Among many reasons, the halting of the development of the zone was said to be due to environmental regulation. However, social tensions may play a determining role in this issue as there are several farming families that have lost their leases on government-owned land. Opposition parties taking up these issues during election periods may fuel resentment, setting up a context similar to the one in Zambia, which produced considerable tension[52]. The labor conditions may foster potential conflict since the zone was expected to use 5,000 workers at full development, with half Mauritian and half Chinese workers. Although the zone plan later predicted the creation of 34,000 direct jobs, it was unclear how many would be local and how many imported.

Concluding Remarks

China's current initiative to expand Overseas Economic and Trade Cooperation Zones in a variety of developing countries cannot possibly be claimed to pursue the same objectives as well as the same strategic, commercial and political mechanisms to reach these objectives. Despite this, revisiting China's so-called *Grand Strategy* helped to identify a general set of strategic components aimed at developing countries. Top opinion leaders such as Wu Xinbo and Wang Jisi have explored this strategy, and China is claimed to have established economic development, national unification and opposition to hegemony as top priorities in the national agenda. These goals aim to increase China's material strength, remove the vestiges of a humiliating past, and promote China's position as a major power in the world arena. In this regard, the Chinese Communist Party (CCP) has linked the economic security of the Chinese population to its current and future legitimacy. This logic was then applied to its foreign policy and consequently to the initiative to expand Overseas Economic and Trade Cooperation Zones in developing countries. Therefore, the State-Owned Enterprises as actors that are significantly autonomous from direct control by the Chinese government are vested with the responsibility to ensure the sound development of these areas[53]. As the business-oriented model of this policy comes to prevail in engagements with developing countries, the profit-seeking nature of the projects as well as the pursuit of financial returns on investments may take priority over any other potential development-related benefit in the implementation process of the Overseas Economic and Trade Cooperation Zones. In this regard the State-to-State interactions and the diplomatic declarations on behalf of the Chinese government in multilateral forums may be interpreted as the complement to the initiative that seeks to be profit-oriented and that may or may not enhance development as a spin-off of business and economic interaction between China and Africa.

The Zambia-China Economic and Trade Cooperation Zone has been agreed to between the Zambian government and the China Non-Metal Corporation in order to initiate a geographical demarcation that facilitates the operations and provides financial concessions in an area where copper processing has been taking place since 1998. In this sense, the main developers are the State-Owned Enterprise that is in charge of getting a foothold on a resource-rich area, along with a provincial actor: the Overseas Agriculture Development Project from the Jilin Provincial Government. These actors and initiatives are then complemented by the visits of delegates from the Central Government of China, as well as financing from the Ministry of Commerce and the Ministry of Foreign Affairs, along with the banking structure of the EXIM Bank and the China Development Bank. In this sense, the State structure facilitates both funding and political legitimacy in order to ensure the operations of a company in an important resource-rich area. However, it is very important to mention that despite the profit-seeking nature of this initiative, as of 2011 the CNMC activities have already translated into significant impact on the Zambian industrialization process. As specified in the case study section, until mid-2010 the most prominent projects in the zone are the Non-Ferrous Metals Corporation Africa Mine, the Chambishi Leach Plant[54], the Chambishi Copper Smelter and the CNMC Luanshya Copper Mine.[55] These projects have been providing job opportunities for local workers, as well as further investment opportunities and a business dynamic with other international companies. In terms of actor identification and challenges, one of the most pressing issues is the role played by State-Owned Enterprises and the regulations they should adhere to while running overseas operations. CNMC is then identified as an articulator of executive-level relations with the Zambian Presidency. The Zambian context predisposes Zambia to focus its decision-making power on the centrality of presidential leadership, which agrees with the CNMC's State-backed approach. There is considerable evidence that CNMC does not adhere to any other type of relations with other actors in the Zambian government, such as the regulatory bodies. A big challenge in this sense is the CNMC's network structure, which provides almost no accountability regarding local regulations, particularly with respect to the Zambia Revenue Authority (Haglund, 2009). The latter is charged with observing agreements on a self-reporting basis, which most of the time is of a self-discretionary nature. Another issue is that CNMC funding does not depend on

52 Brautigam interview, Board of Investment, government of Mauritius, Port Louis, 24.6.2008 in Brautigam, D. and Xiaoyang, T. 2011. African Shenzhen: China's special economic zones in Africa. Cambridge University Press, UK, 2011.

53 This was confirmed in a direct interview with Mr. Wang, Xiaolin, Director of the Research Division of the International Poverty Reduction Center in China, an organization jointly initiated and established by the Chinese government, the United Nations Development Programme (UNDP) and other international organizations in Beijing, China.

54 China Non-Ferrous Metal Mining News, Sino-Metal Leach Zambia Limited and Sino-Acid Products Zambia Limited, China Non-Ferrous Metal Mining News, Zambia, 2009.

55 Situmbeko Musokotwane, Visiting CNMC Subsidiaries in Zambia, China Non-Ferrous Metal Mining News, Zambia. 2010.

international capital markets and therefore may be exempt from disclosure requirements and reporting based on international accounting standards, thus facilitating transfer pricing and tax evasion in host countries[56]. The State-Owned Enterprises are thus entering an unprecedented arena compared to their place of origin, as labor laws in China do not interfere with company production. The constant labor-related incidents with CNMC and its subsidiaries in China have threatened the entire company production on several occasions. In this regard, the Chinese overseas companies seem to be undergoing a socialization process. However, the CNMC in Zambia is setting short-term objectives, which in the opinion of several authors leads to organizational learning which is superficial and reactive, thereby undermining the companies' long-term political legitimacy and as a consequence provoking political nationalism in Zambia[57].

Despite this assessment, there is some sort of legitimacy that the Chinese government has sought for its State firms in order to provide a perception of responsibility. This has been the target of the analysis made by several Chinese researchers. In a direct interview with *Liu Haifang* from the Institute of West Asian and African Studies, of the *Chinese Academy of Social Sciences* in Beijing, it was revealed that the Chinese authorities, through the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) are viewed as responding to the need for Chinese firms operating in Africa to abide by internationally-agreed norms[58]. Some Chinese companies are adhering to the UN-sponsored Global Compact, which is a global collaborative social responsibility initiative based on ten principles that several businesses agreed to uphold in areas of human rights, labor, anti-corruption and environmental standards. Other initiatives that have become important international parameters with which to measure the international performance of companies are the Equator Principles and the Extractive Industries Transparency Initiative. The Equator Principles refer to a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing. A set of principles are then established in order to ensure that projects develop in a manner that is socially responsible and reflect sound environmental management practices. With this, any negative impact on project-affected ecosystems and communities should be avoided wherever possible. If such impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately[59]. Besides the international initiatives to adhere to some responsible guidelines, China has come up with explicit initiatives to pursue similar guidelines. On June 2008, the Ministry of Commerce, the Ministry of Foreign Affairs and the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) held a joint national conference to address the challenges of the "Going Out" strategy. These were related to cases of group protests due to negative labor relations, the adoption of illegal and unethical business practices, an increasing number of delayed projects, an increasing rise in security accidents, and construction projects experiencing quality problems. In this sense, Chen Deming, Minister of Commerce, outlined some measures to enhance the monitoring and regulatory system for companies going abroad. According to Zhimin and Junbo, the Minister also demanded that local governments become more responsible in regulating local companies in order to strengthen local capacity to tackle all sorts of problems by establishing a local centralized mechanism to ensure that the various functional departments at a local level be able to enforce national policies, laws and regulations[60]. However, the clear challenge in this regard is the inclusion of those companies that are not entirely monitored by any government or state structure in their operations abroad. Regardless of the number of initiatives in place on an international or national dimension, the abrupt presence of non-state companies throughout Africa and their lack of a direct relation with the Chinese Central or local government is challenging China's image on the continent. In this regard, there is no point in identifying this challenge as unique to the case of China. There is ample record of cases of Western companies failing to provide socially responsible operations in the analyzed region.

In addition, despite the national and international initiatives to generate regulation, it is important to point out that in a relatively short time the CNMC as well as other Chinese firms have shown to be quite capable of adhering to higher corporate standards in countries with stronger regulatory frameworks, such as the aforementioned regulations in the Zambia case study. In this matter, the regulatory framework in which further activities within the Overseas Economic and Trade Cooperation Zone take place should be strong enough and actively imposed by the host country. In the case of the Chambishi Zone, it should refer to a stronger Zambian regulatory capacity and not rely solely on individual considerations of the political Zambian elite. This issue has been identified as an indirect effect of China's involvement in Africa, where the intensification of relations with China perpetuates class conflict dynamics, which widen inequalities within African societies. Naidu states that the very nature of the state-to-state engagement engenders an elite pact. It should be noted that in Africa the elite represents the ruling class as well as the private sector. In this assessment, it is logical to interpret the tensions in Zambia where Chinese workers have either been kidnapped or hurt as having less to do with anti-Chinese sentiment than with frustrations directed to African political and economic elites. It is a clear manifestation of the skewed nature of wealth accumulation within the African state[61]. This inter-elitist dynamic can be seen in natural resource management where the lack of transparency from China is added to the strong need for accountability to the people of African regarding the revenues from these resources.

56 Haglund, Daniel, Policy Evolution and Organizational Learning in Zambia's Mining Sector, Department of Economics and International Development, University of Bath, UK, 2010, p.20

57 Ibidem, p. 22

58 Liu Haifang. Direct interview with the author. Institute of West Asian and African Studies of the Chinese Academy of Social Sciences, Beijing, China. 2011.

59 The Equator Principles Association. 2011.

60 Chen Zhimin and Jian Junbo. Chinese Provinces as Foreign Policy Actors in Africa. SAIIA Occasional Paper. South Africa. 2009, p. 12

61 Naidu, Sanusha. China in Africa: A Maturing of the Engagement? Chinese and African Perspectives on China in Africa. Pambazuka. South Africa. 2010.

The case of the Mauritius Tianli Economic and Trade Cooperation Zone places in evidence the fact that China plans to approach different countries that are not necessarily rich in resources. In this particular case, the prospective role of this zone is to become a strategic hub to facilitate investments, operations and general financial and commercial transactions between China and Africa. A wide service-oriented structure has been set up to become a new safe haven for China's overseas companies, as well as an enclave to provide services for the Chinese expatriate population. However, the experimental nature of this particular initiative can be seen in the zone's stagnation process. This lays the foundations of the dynamic in which State-Owned Enterprises act as developers of the zone, as in the case of the Shanxi Tianli Enterprise Group, and fail to provide determinant initiatives to enhance their success. In this regard, there is clear intervention from the Chinese government in order to ensure the prompt development of the zone. This same logic was applied when Taiyuan Iron & Steel Company (TISCO) and Shanxi Coking Coal Group as well as the China-Africa Development Fund joined the zone project as stakeholders. According to Zhimin and Junbo, provinces such as Shaanxi have stepped into Africa because it is seen as a new land in which to expand their economies and companies. However, these incursions have brought some challenges as they may trigger potential conflicts between provincial economic aims and national foreign policy objectives. Also, there is an intense competition between provincial state-owned and private companies, causing some of them to become unable to act responsibly, risking labor conditions and environmental challenges which tarnish the image of China in Africa. The latter evidences the need for inter-governmental coordination of Chinese state- and non-state companies and their activities in Africa. This dynamic may be expected to repeat in other developing countries.

Another key feature rendered from this comparative perspective is the imminent need for accountability in Africa. After the recent situation in North Africa which led to the mobilization of popular groups around the need for accountability and specific delivery of results through a trickledown effect, there is an underlying lesson that may have specific repercussions on the whole African region. In this regard, some IMF analysts have called attention to the fact that unemployment and inequality can undermine the very achievements of the market economy by sowing seeds of instability. It is inevitable to think that after what happened in North Africa, with the lack of economic opportunities that can promptly lead to unproductive activities, political instability, and even conflict, this phenomenon could replicate in other parts of the continent in the immediate future. This has actually been occurring in several African countries in the first trimester of 2011. Accountability has become a priority especially in today's technologically-driven context where various channels of communications through the Internet or mobile networks can focus on government performance, and even spark mobilizations against domestic initiatives that seem detrimental. The challenges that the China-Africa engagement face may still be present and might even increase in the years to come precisely due to recent events in North Africa, the western-led and reactionary scrutiny of the performance of China in Africa and the increasing African context-related pressures that come from expanding the holding of multilayered and poorly coordinated Chinese foreign policy actors. Accountability may also have an impact on the use of rhetoric that has widely permeated the commitments between China and Africa in addressing future pledges to reach strategic partnership[62]. It is important to monitor and translate rhetoric into action as the Chinese government has been the target of criticism regarding its intentions, which it has never denied. China's bilateral approach to African countries can be understood to provide assistance and aid, on one hand, and to enhance a business relationship with an explicit expectation of economic return, on the other. Hence, Chinese rhetoric has been criticized to undermine the reality of interactions in these regions, and places China in the difficult situation of heavily relying upon a constructed perception of equal partnership when in fact there is real asymmetry. This can deter development.

A general assessment of the China-Africa relationship reveals a number of issues that represent challenges regarding cooperation. Professor Li Anshan from Beijing University assesses the relationship as follows, "the more problems between China and Africa the better"[63]. In his view, the existence of more problems indicates the potential for closer contact based on mutual respect that might provide sustainable solutions that may benefit the China-Africa relationship. However, wishful thinking may jeopardize the opportunities that new interactions with emerging countries from Africa may render. In light of what has been discussed about China and Africa, some Chinese scholars and a handful of Chinese political leaders and business executives are aware of the important challenges posed by the Chinese Overseas Economic Zones, and the equal importance of keeping good relations with local communities and people, as well as with governments. Several Chinese and African scholars hold the opinion that the shift in the priority of inter-government relations is crucial for reaching a sustainable relation. It is important not to idealize the Chinese model, or the Chinese rhetoric that claims that its model is a motor of industrialization and development in Africa. It is also important that local political elites not be allured by promises of economic benefits and the trickledown theory as in some cases there are no preconditions for these benefits to effectively develop. Analysts should remain skeptical about the application of a model in a region where history has shown that only a handful of cases have proven to succeed. Hopefully, the Chinese Overseas and Trade Cooperation Zones will have the potential to become one of many initiatives focusing on human development aspects in China's relations with the developing world, and that this focus become more prominent in China's international practices.

62 He, Wenping. China's Diplomacy in Africa. Institute of West Asian & African Studies, Chinese Academy of Social Sciences, CASS. China. 2009.
63 Li, Anshan, Direct interview with the author from the Institute of Afro-Asian Studies at Peking University, March 30th. 2011.

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