OCCASIONAL PAPER NO 22

China in Africa Project

January 2009

Chinese Provinces as Foreign Policy Actors in Africa

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South African Institute of International Affairs

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A 'China–Africa Toolkit' is being developed to serve African policymakers as an information database, a source of capacity building and a guide to policy formulation.

SAIIA gratefully acknowledges the generous support of the main funders of the project: the UK Department for International Development (DfID) and the Swedish International Development Agency (SIDA).

Other contributors to the project include: Monika Thakur, Ana Cristina Alves, Guillaume Moumouni, Isaac Idun-Arkhurst, Peter Draper, Gregory Mthembu-Salter, Anna Chen, Tsidiso Disenyana, Yoon Jung Park, Riaan Meyer and Paula Roque.

Project leader and series editor: Dr Chris Alden, email: J.C.Alden@lse.ac.uk

SAIIA'S FUNDING PROFILE

SAIIA raises funds from governments, charitable foundations, companies and individual donors. Our work is currently being co-funded by AusAid, the Bradlow Foundation, the Department of International Development (DFID), the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the European Commission, the Finnish Ministry for Foreign Affairs, the Ford-Foundation, the Friederich Ebert Stiftung (FES), the Graduate Institute of International Studies (GIIS), the International Development Research Centre (IDRC), the International Institute for Sustainable Development (IISD), INWENT, the Konrad Adenauer Foundation, the Organisation for Economic Co-operation and Development (OECD), the Royal Norwegian Ministry of Foreign Affairs, the Royal Danish Ministry of Foreign Affairs, the Royal Netherlands Ministry of Foreign Affairs, the South Centre, the Swedish International Development Agency (SIDA), the Sustainable Development Policy Institute (SDPI), the United Nations Conference on Trade and Development (UNCTAD), the United Nations International Research & Training Institute for the Advancement of Women (INSTRAW), the South African Department of Foreign Affairs, Trade and Industrial Policy Strategies (TIPS), the Department of Environmental Affairs (DEAT) of South Africa and the South African Revenue Service (SARS).

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ABSTRACT

China's engagement in Africa is becoming increasingly multilayered, as provinces are stepping up efforts to expand their presence in Africa. This paper provides a general picture of how Chinese provinces feature in the overall Chinese foreign policy system. Specifically, the article identifies Chinese provinces' role in Africa as traders, project builders, investors, aid providers and intergovernmental actors. It also discusses how African countries and China itself should cope with China's new multilayered engagement in Africa.

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INTRODUCTION

China's engagement in Africa has gained world attention over the last eight years. The country's trade with the continent registered a seven-fold growth from around $10.8 billion in 2001 to $73.5 dollars in 2007, while its proportion in China's foreign trade rose from 2.12% to 3.38% during the same period. In November of 2006, the Forum on China–Africa Co-operation (FOCAC) organised a high-profile summit meeting in Beijing, which was attended by leaders from 48 African countries and China. The summit inaugurated a new strategic partnership between China and Africa. As China's engagement in Africa grows and deepens, it is important for Africans and Chinese to understand how various actors in China play their roles in this process. This paper is an effort to conceptualise the role of the Chinese provinces in China's multilayered engagement with Africa.

CHINESE PROVINCES AS FOREIGN POLICY ACTORS: AN OVERVIEW

China contains 33 province-level divisions, including 22 provinces, five autonomous regions (Guangxi Zhuang, Inner Mongolia, Ningxia Hui, Xinjiang Uyghur and Tibet Autonomous Regions); four municipalities (Beijing, Tianjin, Shanghai and Chongqing), and two special administrative regions (Hong Kong and Macau). Also, although Taiwan is not under the direct rule of the Chinese government, it is regarded as a part of China, a legal fact that is widely recognised by the international community. In this article, we will use the term 'province' in a broader sense to include all the provincial level units on the mainland: provinces, autonomous regions and municipalities. For the sake of clarity, it should be noted that the article will not discuss the involvement of the two special administrative regions and Taiwan in Africa.

As China is a unitary state, the management of foreign affairs is highly centralised. According to the Chinese Constitution, the central government in Beijing is empowered to conduct diplomatic relations with foreign countries, negotiate trade agreements and command China's armed forces. However, due to the country's vast land area and population, provincial governments and leaders have not been insignificant players in the Chinese political economy. For example, all provincial governors and provincial party secretaries enjoy the same status as ministers in the central government. During the era of reform and opening up, 'the twin forces of decentralisation and internationalisation not only further upgrade the salience of provinces within China, but also turn them into some sort of international actors, particularly in the foreign economic relations'.[1]

Decentralisation, internationalisation and Chinese provinces

In 1978, under the leadership of Deng Xiaoping, the new economic reform and opening-up policies launched a process of transformation in China, changing it from a highly centralised state that was economically inward looking to one that is much more decentralised and internationalised.

The reform process granted the provincial governments wide-ranging responsibilities in local affairs. The Constitution promulgated in 1982 made provincial governments responsible for the management of the provinces' economy, education, science and technology, culture, health, sports, urban and rural construction, finance, welfare, public security, judicial administration, supervision, family planning and so on. The transfer of responsibilities was accompanied by the transfer of power and autonomy, although this was rolled out gradually of the years that followed and also occurred unevenly, with the south-eastern provinces being granted extensive powers first before other provinces. Many state-owned enterprises (SOEs), including the provincial branches of national foreign trade companies, were handed over to provincial governments. The provinces were also granted more discretional power to regulate foreign economic relations locally, such as the power to approve larger foreign investment projects. On the legislative side, the provincial people's congresses, for the first time, were empowered to enact local statutes in these areas.

This wave of local empowerment was an uneven process. It started from the south-east coastal provinces, gradually expanded to other coastal provinces and eventually spread to every province in mainland China. This uneven decentralisation was coupled with a remarkable process of internationalisation. The newly acquired power to promote foreign trade and investment transformed the Chinese provinces into developmental provinces and active players on the international stage. Virtually every province adopted rigorous local policies, most often in competition with other provinces, to promote exports and attract foreign direct investment (FDI).

In 2007 China's total gross domestic product (GDP) in nominal terms was about $3.4 trillion, ranked only below the US, Japan and Germany. If we rank China's individual provinces along with other countries, surprisingly, Guangdong, which is China's biggest provincial economy, would stand as the world's 23rd largest economy in terms of market exchange rates (MER), comparable to Norway or Saudi Arabia. In contrast, South Africa, the biggest economy in Africa, has an economy of 282.6 billion US dollars and is ranked 28th. If we use purchasing power parity (PPP) terms, Guangdong's ranking would move up to 14th place, surpassing Indonesia and Australia.

If we add the six coastal provinces together (Guangdong, Shandong, Jiangsu, Shanghai, Zhejiang and Fujian) on an MER basis, this would create an economy worth $1,600 billion, bigger than that of Spain or Canada, and this region would be the world's seventh largest economy. In PPP terms, this coastal zone produced $3,534 billion worth of goods and services in 2007, 18% more than all of India, making it the world's third largest economy.[2]

By 2007 China had become the world's third largest trading state. However, among the 31 mainland China's provincial entities, the nine coastal provinces account for 90% of China's total trade, with Guangdong alone contributing 30% of the country's foreign trade. As an indicator of its economic internationalisation, China's trade dependence ratio reached 63.6% in 2007, which is much higher than the US and Japan, and comparable to large EU member states. Looking at the provincial figures, we find that the high trade dependence ratio is mainly a result of the booming trade of six coastal regions, namely, Guangdong, Shanghai, Beijing, Jiangsu, Tianjin and Zhejiang.

China's decentralisation and internationalisation has produced unprecedented economic success in the country. For Gerald Segal, these twin processes call for a need to 'deconstruct' China's foreign relations and to see the coastal provinces as somewhat independent actors separate from the central government. Since these provinces have

Table 1: China's top trading provinces, 2007

Provinces	Population[1] (millions)	GDP[1] (billions of yuan)	GDP[2] ($ billions) nominal	GDP[3] ($ billions) PPP	GDP per person[3] ($) PPP	Trade[4] ($ billions)	Trade dependence ratio (%)
	2006	2007	2007	2007	2007	2007	2007
Guangdong	78.59	3,067.37	420.19	861.62	10,983	634.06	150.9
Jiangsu	75.50	2,556.01	350.14	717.98	9,509	349.56	99.8
Shanghai	18.15	1,200.12	164.40	337.11	18,574	282.91	172.1
Beijing	15.81	900.62	123.37	252.98	16,001	192.94	156.4
Zhejiang	49.80	1,863.84	255.32	523.55	10,513	176.83	69.3
Shandong	93.09	2,588.77	354.63	727.18	7,811	122.49	34.5
Fujian	35.58	916.01	125.48	257.31	7,232	74.45	59.3
Tianjin	10.75	501.83	68.74	140.96	13,113	71.52	104.0
Liaoning	42.71	1,102.17	150.98	309.60	7,249	59.47	39.4
China	1 314.48	24,953.00	3,418.22	6,991.04	5,318	2,173.83	63.6

Sources:
1 National Bureau of Statistics of China, *http://www.stats.gov.cn/tjgb/.*
2 Calculated by the author, at an exchange rate of $1 to 7.3 yuan.
3 Calculated by the author, at a PPP exchange rate of $1 dollar to 3.56 yuan.
4 Ministry of Commerce, China.

woven themselves into a state of economic interdependence with outside actors, these outside economic partners could exert a 'pull' on coastal China and affect Chinese policy towards them. For Segal, this is a desirable scenario, in the sense that China's central government would be prevented from making use of the country's growing economic power to pursue its own agenda, but must consider the 'foreign relations' established by these coastal provinces. As he says, 'the only way to ensure China does not become more dangerous as it grows richer and stronger is to ensure that in practice, if not in law, there is more than one China to deal with'.[3] While it was true that China confronted a period of 'strong localities and weak centre' when Segal made his remarks in the early 1990s, since 1994, with the process of recentralisation, the central government–provincial relationship has been reshaped into a model of 'strong localities and strong center'.[4]

Provinces and China's multilayered foreign policy system

In his study of the 'localisation of foreign policy', Brian Hocking argues that local or subnational governments' involvement in foreign affairs is part of the evolution of the national foreign policy process and 'represents the expansion rather than the rejection of foreign policy'.[5] For Hocking, local or subnational governments should not be regarded as autonomous actors acting separately from and in parallel with national governments. It is more helpful to see this relationship in terms of a multilevel political structure and multilevel processes that embrace all levels of political activities from the local, through the national to the international. These levels intersect with one another in a variety of ways, and demand that decision makers operate in a number of political arenas simultaneously.[6]

As the twin forces of decentralisation and internationalisation unfold, a new multilayered foreign policy system has emerged in China. The central government remains the dominant actor in China's foreign relations; nevertheless, the provinces have raised their profile on the international stage and have made themselves important foreign policy players in the area of what could be called 'low-level politics'.

Chinese provinces have developed a sophisticated local foreign affairs management system. This is usually led by a small leading group dealing with foreign affairs headed by either the provincial governor or party secretary. With this arrangement, the governor and party secretary are both top policymakers and the chief conductors of local foreign relations. Under the provincial leadership, at the bureaucratic level, the provincial Foreign Affairs Office (FAO) and Foreign Trade and Economic Cooperation Commission (FTECC) occupy central position in the system. Respectively, FAO deals with political affairs at the local level and co-ordinates overall local foreign relations, while FTECC is mainly in charge of local foreign economic relations. The system also includes a variety of less prominent government organs dealing with foreign relations, such as the Overseas Chinese Affairs Office, and quasi-governmental bodies, such as People's Friendship Associations. Furthermore, as foreign affairs expand to virtually every functional area, almost all other functional departments have their foreign affairs offices to manage international co-operation.

The provincial FAOs have the responsibilities of implementing the national foreign policy locally; arranging for the reception of foreign VIPs and for overseas visits of local leaders; administering passport and visa matters for local official business trips abroad; organising and promoting activities with sister cities and provinces of other countries; administrating consular affairs and foreign media affairs; guiding the foreign affairs-related work of other local government departments, etc.[7] The provincial branches of the Chinese Communist Party (CCP) usually do not have their own offices to deal with party-to-party relations with foreign parties, while at the central level, there is a Central Liaison Department that is responsible for the CCP's relations with foreign parties. Rather, provincial CCP branches make use of the FAOs, particularly through the units of party guests within FAOs, to develop contacts with foreign parties.

Provincial FAOs existed well before the start of the reform era, and comparatively speaking, FTECCs were latecomers. They were set up at provincial and local level when the provinces were empowered to promote local economic development by pursuing an outward-oriented economic development strategy. These provincial FTECCs, which are responsible for attracting foreign investment and promoting exports, have become the main vehicle of the developmental provinces in their economic development efforts. FTECCs generally are responsible for implementing national policies, laws and regulations regarding foreign trade, economic cooperation, FDI and economic zones; drafting, passing and implementing local regulations and policies in the abovementioned fields; drafting and implementing local foreign economic development strategies, including trade and FDI attraction strategies; guiding the work of economic development zones; examining and approving foreign investment projects; directing local enterprises to obtain and manage foreign construction projects; and conducting overseas market exploration and trade promotion through various trade fairs. Coastal provinces also engage in activities such as setting up offices overseas, many in the form of branches of provincially owned trading companies. Recently, Shanghai has established six official overseas offices under the

Shanghai Foreign Investment Development Board (FID), a governmental organ established in 1999 to attract FDI. These offices are located in Los Angeles in the US, Osaka in Japan, London in the UK, Frankfurt and Hamburg in Germany, and Rotterdam in the Netherlands. In 2000, along with a new emphasis on assisting local companies to invest overseas, FID was also designated as the Shanghai Overseas Investment Development Board, in order to provide free consulting service for local companies to help them expand internationally.[8]

Provinces as foreign policy agents of central government

Provincial governments operate within China's unitary system. Constitutionally, the power of the province comes from the central government, and provincial legal and administrative activities should be conducted within the national legal and policy framework. Therefore, the central government can withdraw the power it delegates to the provinces and nullify local policy and statute if it deems it to be in conflict with national laws or policies. Institutionally, the provincial governors and party secretaries are answerable to the central government and CCP's Central Committee. Although in the Chinese system these officials are elected by provincial people's congresses and party congresses, the Organisation Department of the CCP generally maintains strict control over them through the selection, appointment, promotion and rotation system, to ensure their loyalties to central government and the CCP leadership. At the local bureaucratic level, the provincial FAOs, FTECCs and other functional departments are under the dual leadership of the provincial and central governments. FAOs receive policy guidance from the Ministry of Foreign Affairs and the FTECCs from the Ministry of Commerce. All these systemic arrangements ensure that the provincial governments act as agents of the central government at the local level.

The same could be said in the field of foreign affairs. With the onset of the reform era, the central government delegated a number of foreign affairs powers to provincial governments. While retaining control over policy direction, in the areas of local foreign consular affairs, foreign media affairs, overseas Chinese affairs, and receiving foreign state or government leaders, the central government relies on provincial governments to perform the actual administrative and operational work. Such foreign policy decentralisation reduces the burden on the central government, while at the same time allowing it to retain leadership in terms of policy direction. In a way, the provincial governments can be seen as convenient agents of the central government in local foreign relations with political implications. Furthermore, provinces — as non-sovereign actors in interstate relations — can also act as an agent of the central government charged with conducting 'informal diplomacy'[9] through direct contacts with countries that have no diplomatic relations with China or in those cases when state–state relationships are suspended.

Provinces as foreign policy partners of central government

Since the reform and opening-up policy was inaugurated, the provinces have developed their own interests overseas, with the aim of promoting their exports, attracting FDI and enhancing their international profiles. After decades of rapid economic development, the provinces have also become financially strong enough to devote various kinds of resources to support their international activities. With these developments, a new partnership has emerged between the central and provincial governments, in the sense that the central government is able to rely on the provinces' international activities to advance its own foreign policy goals, while the provinces can use the central government's endorsement to realise local objectives internationally. For example, the convening of the Shanghai Five summit meeting (including China, the Russian Federation and three central Asian countries), the APEC summit meeting in 2001 in Shanghai and the establishment of the Boao Asian Forum in Hainan was made possible by substantial local financial contributions. To boost China's international status and image, in recent years, Beijing, Shanghai and Guangzhou (the capital city of Guangdong province) were selected as candidate cities to bid for the Olympic Games, World Expo and Asian Games, in the anticipation that these cities will bear a large part of the costs for the construction of facilities and paying for running expenses. If the central government enters into co-operation with other countries in areas such as education, sports, culture, environmental protection, health, agriculture, intellectual property rights, etc., or sets up foreign aid programmes in these areas, provincial governments are expected to be the key parties to deliver these commitments.

Furthermore, the costal provinces have developed their own extensive global networks. Through their sister city networks and the networks of multinational companies investing in their jurisdictions, these provinces are able to command a variety of channels to gain access to foreign countries' foreign policymaking processes. Through these valuable channels, the central government may ask provincial leaders to assist its efforts to influence foreign countries.

THE ENGAGEMENT OF CHINESE PROVINCES IN AFRICA

Chinese provinces in recent years have stepped up their efforts to strengthen their presence in Africa. As non-sovereign and 'low politics' actors in the continent, these provinces can be seen as traders, project builders, investors, aid providers and subnational intergovernmental actors.

Chinese provinces as traders

In recent years, trade between Chinese provinces and Africa has been growing at a rapid pace. As the African economy rebounds, Africa is regarded as a continent of new economic opportunities for Chinese companies, both state-owned and private. At the same time, with the overall encouragement of the central government, provincial governments have also adopted numerous measures to promote trade with African countries.

For the provincial governments and business communities, the rapid development of trade over the past few years has indicated the huge potential of similar future development. As the trade surplus with traditional overseas markets such as North America and EU widens, and protectionism seems to be on the rise, provincial governments and business communities increasingly see Africa as a region to sustain trade expansion and promote trade diversification. Almost all the provincial governments have adopted systemic measures to promote trade with the continent. Provincial leaders have begun to lead local trade delegations to Africa, which is a fairly new phenomenon compared to a few years ago, when trade delegations mostly went to Europe, North America, Japan and other developed countries. For example, the former party secretary of Guangdong, Zhang Dejiang, led a high-profile delegation to Africa in October 2004. The delegation included more than 80 Guangdong business people, visited South Africa, Egypt and Algeria and concluded trade contracts worth $1.2 billion. The delegation also organised Guangdong economic and trade co-operation fairs in the three countries visited.[10]

In 2006 trade between the province of Guangdong and Africa reached $7.9 billion, up from $2 billion in 2002. Similarly, in 2006 the total volume of Shanghai's import and export trade with Africa was $3.048 billion, an increase of 35.8% from the previous year, with South Africa, Egypt, Nigeria, Benin and Libya as Shanghai's top five trading partner in Africa. Trade data from Zhejiang province also shows that its trade volume with Africa dramatically increased from $1.31 billion in 2001 to $6.68 billion in 2006.

However, compared with the total trade volume of the provinces, trade with Africa is still very small, accounting for 1.3% of Shanghai's total trade and 1.5% of Guangdong's, both well below the national average of 3.1%. Only Zhejiang stands out, with its trade with Africa accounting for 4.7% of its foreign trade in 2006. Furthermore, if we look at the trade balance, most of the provinces registered trade surpluses with Africa. In 2006 Guangdong exported $5.6 billion worth of goods and services to Africa, while importing $2.3 billion worth, resulting in a surplus of $3.2 billion. Shanghai exported $1.9 billion worth of goods and services, while importing $1.1 billion worth, giving a surplus of $0.8 billion. Zhejiang's exports were worth $5.4 billion and its imports $1.2 billion, giving a larger surplus of $4.2 billion. It is interesting to note that China's total trade with Africa was in deficit in 2006, with export of $26.7 billion, imports of $28.8 billion, and a deficit of $2.1 billion. How does one explain the discrepancy between an overall trade deficit and the trade surplus of the most active trading provinces? It seems the only possible reason for this is the fact that most of the resources and energy China imported from Africa have been channelled through Beijing-based SOEs and were treated statistically as imports by Beijing city itself.

Chinese provinces' exports to Africa are mainly manufactured goods, ranging from machinery, electronics, textile and clothes to hi-tech products, while imports from Africa are mainly cotton, diamonds, raw materials and other primary goods. For those African countries that do not have oil or raw materials to export, trade with Chinese provinces usually resulted in a rise in their trade deficits.

In response, the central government has taken multiple measures to address the concerns of the African countries, such as offering zero-tariff treatment to least-developed countries in Africa for their exports to China, while in a recent agreement with South Africa, China imposed a voluntary restraint on its textile and clothes exports to that country, with the aim of helping the local industry to enhance its competitiveness. With these national policy changes, the provinces started to emphasise the export of high-value-added goods to Africa. In 2006 Zhejiang province's exports of mechanical and electrical products to Africa grew by 39.1%, which was much higher than the growth rate of textile exports (9.3%).

Chinese provinces as project builders

Since the late 1970s China has become one of the major players in the world project construction market. Good diplomatic relations, low costs, satisfactory quality and efficiency all contribute to the remarkable success of Chinese companies in this market. In 2007 turnover of China's contractual projects overseas amounted to $406 billion, up by 35.3% year–on–year, while the value of newly signed contracts reached $77.6 billion, up by 17.6%. By the end of August 2007 the accumulated turnover of China's contractual projects overseas amounted to $206.4 billion, with $329.5 billion in contract value.[11]

Although the African construction was undeveloped for a long time and only prospered in recent years, Chinese companies — with the support of central government — have been operating in Africa for decades. Having developed a reputation for good work, timely delivery and low costs, these companies are now becoming market leaders, making Africa China's biggest overseas construction market in 2006 in terms of the value of newly signed contracts, with 45% of the total value of overseas contracts. In the same year, the turnover of contractual projects in Africa increased from 28% to 31% of total turnover.[12]

Table 2: Value of newly signed project construction contracts of Chinese provinces, 2007 ($ millions)

Rank	Province	Value of new contracts signed
1	Shanghai	6,699.31
2	Guangdong	5,977.33
3	Sichuan	4,827.57
4	Shandong	4,282.48
5	Jiangsu	4,005.69
6	Hubei	3,920.81
7	Beijing	2,114.93
8	Zhejiang	1,856.03
9	Hebei	1,729.54
10	Tianjin	1,191.22
11	Heilongjiang	1,170.84
12	Anhui	1,131.63
13	Hunan	1,062.16
14	Henan	966.60
15	Liaoning	737.93
16	Yun'an	682.60

Source: Ministry of Commerce, 2008, http://english.mofcom.gov.cn/statistic/statistic.html

Among Chinese construction companies, national companies are the clear leaders. For instance, in 2007, of the top 50 companies who have the biggest turnover of overseas contractual projects, there are 29 national companies. Out of these 29 companies, eight were in the top ten list of companies. National companies received the biggest contracts from Africa, like the Nigerian railway modernisation project, worth $8.3 billion, and the Algeria east-west highway project, worth $6.25 billion. Nevertheless, although the provincial companies were latecomers in this market, they have been expanding very rapidly. In 2007, in terms of turnover of provincial contractual projects overseas, Guangdong, Shanghai and Jiangsu were the top three provinces, with turnover of \$5.4 billion, \$4.4 billion and \$3.4 billion, respectively. In terms of the value of newly signed contracts, Shanghai stood out with a value of \$6.7 billion, followed by Guangdong, Sichuan, Shandong and Jiangsu.

Although we lack systemic statistics about Chinese provinces' activities in Africa in this regard, clearly, most of them have companies operating in Africa. Henna China is, for example, building roads in Touba, the biggest religious city in Senegal. In Sudan, Shanghai Construction Group has carried out many projects, like office buildings and hospitals. It is interesting to find that some of the inland provinces rely more on the African market in their overseas construction business than the coastal provinces. For example, a number of companies from Hunan have obtained contracts from Ethiopia, Mali, Libya and Kenya. In 2007 companies from Hunan province signed new contracts with a value of \$1.24 billion, of which \$0.7 billion came from African countries. In the first two months of 2008 the province signed an additional \$1.01 billion worth of new contracts, of which \$0.8 billion came from Africa, accounting for 80% of total contract value.[13]

Chinese provinces as investors

China's overseas investment started very lately, but in recent years it has grown very rapidly. In 2007 China's outward FDI reached \$26.51 billion. By the end of 2007 nearly 7 000 domestic investing entities had established more than 10 000 overseas enterprises in 173 countries, and the accumulated outward FDI net stock volume stood at \$ 11.91 billion. The rapid outward investment was particularly reflected in China's direct investment in Africa. In 2003 China's FDI in Africa was just \$74 million, with an accumulated total from previous years at \$285 million. In 2007 annual investment reached \$1.57 billion, with

Table 3: Top African recipients of China's outward FDI, 2007 (\$ millions)

Rank	Country	Accumulated Total	2007 FDI
1	South Africa	702.37	454.41
2	Nigeria	630.32	390.35
3	Sudan	574.85	65.40
4	Zambia	429.36	119.34
5	Algeria	393.69	145.92
6	Niger	134.53	100.83
7	Egypt	131.60	24.90
8	Mauritius	115.90	15.58
9	Ethiopia	108.88	13.28
10	Democratic Rep. of Congo	104.40	57.27
11	Angola	78.46	41.19
	Africa Total	**1,574.31**	**4,461.83**
	World Total	**26,506.00**	**101,190.60**
	Share of Africa	**5.9%**	**4.4%**

Source: Ministry of Commerce, Statistical Bulletin of China's Outward Foreign Direct Investment, 2007.

Table 4: Provinces' outward FDI, 2007 ($ millions)

Rank	Country	Accumulated Total	2007 FDI
1	Guangdong	7,243.11	1,141.01
2	Shanghai	3,025.38	522.66
3	Shandong	1,613.60	189.28
4	Beijing	1,591.95	152.95
5	Jiangsu	1,164.99	518.99
6	Zhejiang	1,162.59	403.46
7	Fujian	916.08	368.47
8	Heilongjiang	711.44	178.51
9	Liaoning	443.95	128.33
10	Sichuan	443.22	291.20
11	Hebei	382.48	53.94
12	Hunan	293.44	140.88
	Provinces Total	**21,746.84**	**5,253.41**
	Central Total	**79,443.76**	**19,584.88**
	China	**101,190.60**	**24,838.29**
	Share of Provinces	**21.5%**	**21.2%**

Source: Ministry of Commerce, *op. cit.*

an accumulated total of $4.46 billion. South Africa, Nigeria, Sudan, Zambia, Algeria and Niger were the six biggest recipients of China's FDI in Africa (see table 3).

While most of China's outward FDI was channelled through big national SOEs, one quarter of these investments were from companies in the Chinese provinces, many of them SOEs at the provincial or local level. Table 4 lists the 11 largest provinces in terms of outward FDI. Compared with the foreign trade ranking, almost all the biggest traders are also the biggest foreign investors (only Tianjin city is not listed as being in rankings of the top nine provinces in these terms).

Until very recently, it was the big national SOEs and private companies who were the pioneer investors in Africa. Large SOEs, like China National Petroleum Corporation, China Petrochemical Corporation and China Minmetals Corporation, mostly invested in Africa's resource-rich countries, and in resource sectors like oil and copper. These companies are mostly under the control of central government. On the other hand, private companies seeking to tap into Africa's huge undeveloped market are willing to take bigger risks to invest in the continent. But they usually act on their own, with little support from the central and provincial governments. In a word, in the initial stages, provincial governments were not involved in investment in Africa.

In 1998 the government of Shanghai issued a decree laying out an investment strategy towards Africa and specifying a series of measures to encourage local companies to invest in the continent. The document identified South Africa as both the key market to invest in and the investment springboard for Shanghai companies to gradually expand into the rest of Africa. The document also insisted that investment should be focused on the textile, home appliances, medicine, food and mechanical sectors, to be expanded to the electronic and chemical sectors at a later date; while initial projects should be small, quick to establish and easy to operate, and in manufacturing sectors. It was quite cautious with regard to the investment in resources and commercial projects in that this kind of investment can only be made under suitable conditions. To encourage local companies to invest in Africa, a special fund of 100 million yuan was set up to support local companies by providing them with low-interest loans. The government also sent permanent staff to South Africa to assist local companies on the spot.[14]

In February 2000, when visiting Guangdong province, President Jiang Zemin told the provincial leadership that in order to push the construction of socialist modernisation, China must adopt a 'Going Out Strategy' to encourage Chinese companies to invest in overseas markets. With this encouragement from the central government, a growing number of provinces started to take measures to encourage provincial and local SOEs and private companies to invest in Africa. In July 2003, within the framework of the national 'Going Out Strategy' and the 'Fujian Provincial Governmental Suggestions on Carrying out the Going Out Openness Strategy', Fujian listed South Africa and Nigeria as favoured overseas investment destinations, targeting resources development and labour-intensive industries. Similarly, the Zhejiang government developed a comprehensive subsidy system to encourage its enterprises to invest in Africa. For example, a 2002 Zhejiang government decree specified that the government would subsidise to the tune of 300 thousand yuan (about $40,000) companies with investments exceeding $3 million in Africa; reward companies who expand trade with Africa; and financially support local companies to participate in the overseas trade fairs organised by the provincial FETCC.[15]

During the 2006 Beijing Summit of the FOCAC, President Hu Jingtao announced eight measures to forge a new type of Sino–African relationship, which included setting up a Sino–African development fund of $5 billion to encourage Chinese companies to invest in Africa and establishing between three and five trade and economic co-operation zones in the continent in the next three years. Provincial governments acted quickly to utilise this central government policy to advance their African strategy.

TEDA Investment Holding, a Tianjin government-controlled company, has successfully set up an industrial zone in Egypt that it hopes will attract $2.5 billion in Chinese investment. The zone will get favourable loans from the central government, while at the same time it also obtained a capital injection from the China–Africa Development Fund. The 5km^2 park in the Suez area is to be built in phases over the next ten years. The TEDA Egypt project received strong support from the Tianjin government. To encourage Tianjin companies to invest in the industrial park, the Tianjin government will subsidise 5% of investors' total investment, insure them against investment risks and provide 10,000 yuan for each Chinese employer working in the park every year. The subsidy ceiling for each company is set at 10 million yuan.[16]

In Guangdong, Guangdong Xinguang International Group, which is mainly controlled by the Guangdong government, concluded an agreement with the Nigerian authorities in 2006 to set up the Nigeria (Guangdong) Economic and Trade Cooperation Zone. The zone was selected as a state-level overseas economic and trade co-operation zone, and therefore will obtain favourable loans from the central government, while being supported by favourable policies from Guangdong province. The zone is located in Igbesa in Ogun state with an initial investment amount of $500 million. The Nigerian government had already put in place a local content policy to ensure that local people can reap maximum benefits from the zone in terms of job and business opportunities. The project expected at least $2 billion worth of investment in the agriculture, health, education, transport, industry, commerce and housing sectors of the economy.

Chinese provinces as aid providers

Aid is one of the key components of China's African policy. For decades, the provinces have acted as agents of the central government in the implementation of this aid policy. Often the central government decides the policy and provides the funding, while provincial governments or actors deliver the aid, such as sending medical teams, building aid projects, sponsoring training programmes, etc. Since the 1960s China has sent medical teams to 48 African countries, with a total number of 16 151 doctors who have treated 170 million African patients. In 2007 there were 39 medical teams operating in 38 countries providing free treatment for African patients.[17]

Most of the medical teams were sent by provinces, according to a pairing arrangement under which one province is responsible for providing medical teams for one specific African country; e.g. Shanghai was requested by the central government to provide medical teams to Morocco. One statistics shows that in the period 1975–2005 Shanghai sent 114 medical teams with 1 203 doctors to Morocco, treating a total of 4.4 million local patients and carrying out a quarter of a million surgical operations. In 2006 there were still 12 teams with 121 doctors working in Morocco.[18] Another province, Gansu, has been paired with Madagascar for over 30 years. During that period, Gansu has sent 444 doctors, providing medical service at four points in Madagascar and treating 12.7 million patients. Fifty-one Gansu doctors have won medals for their service from the president of Madagascar.[19] In 2005, to celebrate the 30th anniversary of the arrival of the first Chinese medical teams in these two countries, Shanghai and Gansu each sent a provincial delegation to Morocco and Madagascar to attend the state ceremonies organised by the host countries.

The provinces also work with the central government to develop training programmes for African officials and technicians. For example, about 30 participants attended the programme for advanced training on African countries' anti-poverty activities in 2005 in China. Zhejiang sponsored this programme, whose participants came from 21 African countries such as Sierra Leone, Libya, Ghana, Nigeria, Tanzania, Zambia, etc.

One interesting development is that the provinces have also started to provide aid to their African counterparts in their own capacity. For example, in September 2004 Gong Xueping, the chief of Shanghai People's Congress representing the Shanghai government, donated 50 wheelchairs to KwaZulu-Natal province in South Africa when he visited it. Interviews with provincial foreign affairs officials indicate that some provincial governments are using local funds to aid their counterparts in developing countries, including African countries. Some of the aid programmes could be worth more than $100,000 each.[20]

Chinese provinces as intergovernmental actors

According to data provide by the China International Friendship Cities Association, it is clear that Shanghai and Jiangsu stand out in terms of twinning relations with African local authorities, with both having seven twinning cities in Africa. They are followed by Guangdong and Anhui provinces, with five such relationships each, while Shandong, Hunan, Henan, Zhejiang and Gansu have four relationships each. For other provinces, twinning with African local authorities is not as popular: Beijing and Tianjin each has just one relationship, and some provinces, like Shaanxi, have no such relationships. It is understandable that some of the most active trading and investing provinces are relatively active in developing their relationships with African countries, like Shanghai, Jiangsu, Guangdong, Shandong and Zhejiang, although some other provinces in this group, like Beijing, Tianjin and Fujian, are not active in this regard. Although it is common that most of the twinning relationships established by Chinese provinces and cities are with counterparts in North America, Europe and Asia, several provinces stand out in terms of the percentage of their African relationships compared to their global relationships. Interestingly, an inland province, Gansu, has four relationships out of a total 31, accounting for 13% of its total twinning relationships. Shanghai has 12.5%, well above the national average level of 5.28%. Some other inland provinces, like Anhui (8.6%), Hunan (8.3%) and Henna (7.4%), also perform well in this respect.[21]

Table 5: Twin city relationships between China and Africa and other regions, 2008

Region	Country	Provincial Level	City Level	Total
Asia	30	380	76	456
	Japan	200	33	233
Africa	27	52	22	74
	South Africa	13	7	20
	Egypt	4	4	8
	Namibia	6	0	6
	Morocco	4	1	5
US and Oceania	21	303	85	388
	US	132	34	166
	Australia	62	6	68
Europe	37	352	131	483
	Russian Federation	55	15	70
	Germany	36	15	51
Total	**120**	**1 087**	**314**	**1 401**

Source: China International Friendship Cities Association

Through these sister-city channels, as well as other channels, officials from Chinese provinces have become frequent visitors to Africa. In general, Chinese provincial politicians' visits to Africa are mostly to search for economic co-operation opportunities, such as trading opportunities and new investment fields. In October 2004 the vice-governor of Zhejiang province and his delegation visited Seychelles, where they talked about the possibility of Zhejiang enterprises' investment in and economic co-operation with Seychelles. Then, the Zhejiang delegation visited Ethiopia and met both officials and farmers to talk about agricultural co-operation. In one meeting, one provincial governor of Ethiopia expressed the hope to export top-quality coffee to Zhejiang province, while encouraging Zhejiang to provide silk-processing technology, seeds and training staff to his province. Other coastal provinces have similar relations with African countries; for example, Guangdong officials, including the governor and the provincial secretary of the CCP, have made several trips to Africa in recent years. In 2007 the party secretary of Guangdong, Zhang Dejiang, led a delegation to Africa that signed new economic contracts valued at $3.4 billion. In 2004 Zhang made a similar trip and brought back contracts worth $2.4 billion.[22]

While Chinese provincial officials visit Africa, their African counterparts also visit China. Economic co-operation, especially in the form of attracting FDI from Chinese provinces, is the most important aim for African delegations. For example, during a visit to Shanghai in October 2006 before attending the Beijing FOCAC Summit, President Omar Bongo of Gabon said that while some Shanghai enterprises were involved in several big projects in Gabon, he hoped more enterprises would launch projects in his country. In another case, in 2008 Mali's minister of health told Zhejiang officials that Mali needed access to low-cost and plentiful pharmaceuticals and requested Zhejiang companies to invest in the country.

Not only China's coastal provinces are favoured by Africa, and some inland provinces also attract VIPs from the continent. For example, Hunan, an inland province, has received several groups of African official visitors in recent years. In October and November 2007 the presidents of Libya, Seychelles and Sierra Leone visited this province to search for economic co-operation opportunities. In particular, Hunan attracts African countries with its advanced technology for cross-breed rice planting and other agricultural technologies, which can help raise agricultural production and address the problem of famine.

CHINESE PROVINCES AND SINO–AFRICAN RELATIONS

Provinces as facilitators of a deepening Sino–African relations

The involvement of the provinces in foreign policy in Africa, whether they act as the agents or the partners of central government, has facilitated the rapid and smooth development of Sino–African relations. Indeed, it is clear that the provinces would not have sent thousands of doctors to African countries of their own accord over the last 30 years. However, as agents of the central government, they have to implement the national aid policy towards African countries. Here, the ability of the provinces to send out good doctors and provide satisfactory logistical support to their medical teams abroad is important to ensuring the success of Chinese medical teams in African countries; moreover, enhancing their ability to perform their duties helps fulfil the intended goal of fostering better relations between China and Africa. What is new in the contemporary period is the fact that, unlike previously, the Chinese provinces are not just agents of the central government in Africa, but also its partners. What distinguishes their activities today is that they themselves have developed a strong interest in Africa, and by expanding their involvement in the continent, they proactively support the overall Chinese foreign policy towards Africa.

The new provincial interests in Africa can be seen in most Chinese provinces. Notably the inland provinces, which are not economically as competitive as the coastal provinces, have eyed Africa for some years, feeling that their technologies and commodities might find a better market in the undeveloped Africa. At the same time, the coastal provinces, increasingly feeling the pressures of market protectionism from their traditional markets in North America and Europe, as well as the demands of structural adjustment at home to transfer less competitive industries to low-cost areas, are also starting to view Africa as a new export market and investment destination. This was particularly true since the FOCAC Beijing Summit of 2006 (FOCAC III) and the publication of China's White Paper on its Africa policy that same year. With huge incentives from the central government aimed at encouraging closer economic ties with Africa — like large aid programmes, favourable loans and the new China–Africa Development Fund — the provinces believe that their own interest in Africa can be advanced with central government support. At the same time, the central government also finds that provincial involvement in Africa can assist the central government to fulfil its promises to African countries to implement aid programmes and deepen China's all-around and multi-level relations with Africa.

We can identify four facilitating roles played by the Chinese provinces. Firstly, they help deepen Sino–African economic relations. Although the big national companies have dominated in the infrastructure construction and mining and oil sectors to date, many provincial-level companies — be they state owned or private — are already key traders with African countries, and are now becoming new investors and constructors. Although their investment is relatively small when compared to the national companies, the provincial firms are much greater in sheer numbers, and are spread more widely across the African continent, thus de facto expanding China's economic influence in Africa.

The second facilitating role of the provinces is that of aid providers. As noted above, provinces have played a key part in implementing China's national aid programmes in Africa. Provincial and local companies are important infrastructure builders, as companies from virtually every province are engaged in construction projects supported by Chinese aid in Africa. The overall quality of their construction work is good, and projects usually can be completed in a timely fashion. Such satisfactory delivery of aid projects helps enhance the goodwill of African people and politicians towards China and raises China's profile and image in Africa. The medical teams sent by Chinese provinces have treated 150 millions African patients, which tremendously strengthens the friendly relationship between African countries and China. Moreover the provinces have started to show a willingness to provide aid to African countries using their own financial resources, although it is still primarily only symbolic in value.

Thirdly, the provinces can help develop grassroot contacts between China and Africa, to strengthen the societal base of sustainable Sino–African relations. It is true that due to the Chinese government's long-standing support for African national liberation movements and African countries' efforts to safeguard their sovereignty and development, most African governments tend to regard China as their friend. Yet, at the societal level, there is an obvious lack of knowledge about China and few direct contacts with Chinese people. The provinces, by developing their sister-city relationships and various cultural exchange programmes, can reach out to the local governments and general public in Africa and help consolidate a grassroot base for a state-to-state relationship between Africa and China.

Fourthly, occasionally the provinces also act as informal diplomatic actors in Africa in support of China's foreign policy goal in the continent. This is particularly evident when they engage in informal diplomacy at times when formal inter-state diplomacy is difficult or inappropriate. For example, although the PRC supported Nelson Mandela's African National Congress (ANC) during the apartheid era, the Mandela administration maintained diplomatic relations with Taiwan when the ANC came to power. Prior to the establishment of formal diplomatic relations between the PRC and South Africa in 1997, at the beginning of 1995, the premier of South Africa's Free State province was invited to Hainan province, while in March, a Beijing municipal government team visited Gauteng province in South Africa. When the premier of Gauteng went to Beijing in May, Politburo member Wei Jianxing was present at the premier's meeting with Beijing's mayor. In December 1995 the vice president of the Chinese People's Friendship Association led a provincial-level trade delegation to South Africa consisting of provincial representatives from Jiangsu, Tianjin, Ningxia, Qinghai and Sichuan.[23]

PROVINCES AS COMPLICATING ACTORS IN SINO–AFRICAN RELATIONS

While much of what the provinces do strengthens and supports the aims of the central government, in certain instances their presence and conduct can introduce problems. As a result, as public and private actors at the provincial and local level expand their involvement in Africa, they are sometimes becoming sources of friction in Sino–African relations.

For instance, in March 2002, 1 500 female Chinese workers at a textile company in Mauritius went onto the streets of Port Louis and demonstrated in front of the Chinese Embassy, chanting the slogan 'Overwork leads to Chinese workers' death'. The initially non-violent protest soon escalated into a confrontation between the Chinese workers and local police, who fired tear gas, and several Chinese workers were badly injured during the melee. The Chinese workers complained that they were forced to work till midnight. They were brought to Mauritius by a government-controlled company in Ningbo city of Zhejiang province.[24] In a recent and bloodier case, more than 100 Chinese workers went on strike in Equatorial Guinea, claiming their Chinese employer mistreated them. They were brought to Equatorial Guinea by the subcontractor of the Dalian International Cooperation Holdings, a company controlled by the Dalian city government of Liaoning province, to construct a housing project there. As local police intervened, two Chinese workers were shot dead and four were seriously injured during the clash. The accident later became a diplomatic issue between China and Equatorial Guinea, and the Chinese government demanded a serious investigation into the causes of the incident by the Equatorial Guinean government.[25]

In June 2008 the Ministry of Commerce, Ministry of Foreign Affairs and State-owned Assets Supervision and Administration Commission of the State Council (SASAC) jointly sponsored a national conference that was attended by more than 1 000 officials, including the trade, foreign affairs and SASAC officials at provincial level. The Chinese vice minister of commerce, Chen Jian, briefed the conference participants that there were some 'acute problems' in the process of 'going out' (a reference to the 'Going Out Strategy') about which the government was 'highly concerned'. He pointed out that as more and more Chinese companies operated overseas, there were increasing cases of group protests arising from bad labour relations, some companies had adopted illegal and unethical business practices, a number of projects were severely delayed, security accidents were on the rise, and some construction projects were experiencing quality problems. To cope with these problems, Chen Deming, the minister of commerce, put forward a number of measures to strengthen the monitoring and regulatory system, and also demanded that local governments should take on more responsibilities in regulating local companies in order to strengthen local capacity to tackle these problems, such as establishing a local centralised mechanism to ensure that the various functional departments at the local level were able to enforce national policies, laws and regulations.[26]

Coping with China's multilayered engagement in Africa: The Chinese side

China's multilevel engagement in Africa implies both opportunities and challenges for China and Africa.

For China, provincial interest in Africa has brought the provinces into the economic life of the continent. The central government obviously sees this as a positive development, since this conforms with its own interest in expanding China's presence in Africa and can in general facilitate the rapid realisation of the country's overall policy goals in the continent. Provincial trade promotion efforts are partly behind the rapid expansion of the two-way trade between China and Africa. They helped make the ambitious goal of reaching $100 billion in two-way trade by 2010, which China put forward at the 2006 Beijing Summit, a feasible target. The new provincial priority of expanding direct investment into Africa also contributes to the central government's goal of helping Africa to develop its own industries. The arrival in Africa of provincial and local construction companies could speed up the completion of major aid projects and local infrastructure projects. Provincial intergovernmental contacts and the social and cultural exchanges sponsored by provincial and local governments can also strengthen grassroot-level people–to–people understanding and thus help build a more solid base for Sino–African relations.

Nevertheless, increasingly, the provinces' engagement in Africa is motivated by their own interests. As agents, provinces continue to follow orders from the central government, e.g. to send medical teams to Africa. What has driven them to act more proactively in Africa in recent years is their perception that the continent is becoming a new land of opportunity for their economies and companies. This economic motivation behind many provincial activities in Africa could pose at least three challenges to China's Africa policy.

The first challenge is the potential conflicts between provincial economic aims and national foreign policy objectives. As aggressive traders, most of the provinces are the generators of China's trade surplus with Africa, which places fierce competitive pressure on the less competitive industries in Africa. Facing with the growing trade restriction measures taken by African and other developing countries, the provincial governments should stress the need to abide by World Trade Organisation (WTO) rules. For instance, during the first half of 2006, 17 trade investigations were launched by foreign countries into exports of Guangdong province. Among them, ten were launched by developing countries, including an investigation into Guangdong porcelain exports to Egypt, while only four cases were raised by developing countries out of a total of nine cases in the same period of the previous year. The Fair Trade Bureau of Guangdong government conducted an investigative field trip to Egypt and other countries and found that some of measures taken by developing countries were discriminative and arbitrary, and called for local Guangdong enterprises to proactively respond to the dumping accusations by foreign countries according to WTO rules.[27] The central government has to consider the negative impacts of Chinese exports on the economic interests of developing countries, and sometimes the need to maintain overall friendly relationships with developing countries may override China's economic interests. Therefore, in June 2006, when Premier Wen Jiabao visited South Africa, he announced that China would impose voluntary export restrictions on the export of textiles to South Africa.

As numerous state-owned and private companies from the provinces are competing with each other in investing and bidding for local construction projects in Africa, some of them are unable to undertake their social responsibilities, ensure the quality of their products, or maintain healthy labour relations, either between Chinese employers and Chinese employees, or between Chinese employers and local employees. Such deplorable behaviour can, and in some case has, produced a negative image of China, thus weakening national efforts to win friends in Africa.

The second challenge concerns the management of intergovernmental co-ordination. As multiple actors arrive in increasing numbers in Africa, it is becoming increasingly important and urgent that the Chinese government should develop a better mechanism to co-ordinate their activities in the continent. In the wake of several incidents of Chinese labour unrest in Africa, the Ministries of Commerce and Foreign Affairs jointly held a national conference with the aim of creating a management system composed of the functional ministries of the central government, embassies overseas, local governments and the various enterprises to ensure that all the investment or construction projects in Africa are under comprehensive supervision.

The third challenge is how to establish a positive public–private partnership. In recent years, increasing numbers of private companies from Zhejiang, Jiangsu and Guangdong have started to invest in Africa, many of them small-scale businesses. These small private businesses usually operate on their own, choosing to maintain no or few contacts with the Chinese embassies in the African countries and local governments at home. For provincial and local governments, investing in Africa through private business is a good thing, because these private companies could increase provincial exports to Africa, and therefore this is generally supported or encouraged by provincial and local governments. Yet, private investors are usually apolitical actors. As profit maximisers, some of them do not always respect local regulations, and have adopted unethical or even illegal business practices that threaten to compromise China's overall efforts to construct a win-win relationship with Africa. Therefore, it is important that provincial and local governments develop mechanisms to track the business activities of local private companies in Africa and provide guidance and training programmes to enhance the awareness of these private businesspeople of their social responsibilities. This is initiative could be complementary to efforts by local governments to provide greater assistance to these private companies in terms of loans, and would help create a more stable and favourable business environment in African countries.

Coping with China's multilayered engagement in Africa: The African side

Generally, as one African diplomat in Beijing has indicated, 'Africa has a limited awareness of the importance of China's provincial governments in the continent'. From his point of view, four main factors may explain this fact:

> Sino–African relations have been predominantly at the state-to-state level; twin cities between China and Africa are few and their activities limited; the organisation, economic strength and political power of China's provinces are not known to Africans, including some African leaders; and Chinese provincial enterprises operating in Africa are seen by Africans as national enterprise of the People's Republic of China.[28]

It is natural that African countries will continue to work mainly with China's central government, which is still the predominate player in the country's engagement in Africa. The central government, including various functional ministries and the major national companies under their control, is the main aid and loan provider, investor, and foreign and trade policymaker. In that sense, provinces are not comparable with the central government. However, a smart approach by African countries towards China might adopt a multilevel perspective that includes the provinces as their new partners. There are at least three reasons for this approach.

Firstly, the provinces are becoming global players, not only as global traders, but also as investors. After three decades of rapid economic development, a number of provinces have become middle-income economies in their own right, and seek to expand their export markets or to move some industries to Africa to capitalise the local market. Developing partnership with Chinese provinces might bring in fresh investment for African countries.

Secondly, the provinces are the pioneers of economic and social reform and development. It is the provinces, particularly the coastal provinces, that have developed successful industrial zones and accumulated experiences in building favourable local infrastructures and legal frameworks to foster development. These experiences can be shared with African countries and their local authorities through direct contacts with Chinese provinces, in the form of, for example, exchanging visits, establishing sister-city relations and organising training programmes.

Thirdly, working with the provinces might also help shape central government policy towards Africa. In the effort to build industrial parks in Africa, Egypt and Nigeria have successfully worked with Tianjin, Guangdong and Jiangsu provincial and local governments and provincial companies. By forging ties of this type, African countries could use the provinces' influence in Beijing to encourage the Chinese central government to endorse and finance prospective joint industrial parks. More broadly, it has been a recurrent phenomenon that national leaders are frequently drawn from the ranks of provincial leaders. Therefore, building close relationship with provincial leaders might be a very rewarding investment in the future for the countries of Africa.

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