**Chinese-led South –South cooperation: The international political economy of internationalisation of Chinese capital in Africa through Special Economic Zones (SEZs)**

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**Abstract**

Economic activity between Africa and China is booming and has never been this significant. The China-Africa relationship has created unprecedented opportunities for either side. The critical nature of China’s presence in Africa has led to some African countries tying their foreign economic policies to China in particular or Asia in general in what are variously termed ‘Look East’ approaches. Because of the hugely disproportionate, traditional relations with the ‘West’, Africas’ desire to get the most out of China’s rise is very understandable. That, however, is central to emerging questions with this relationship. Scholars already acknowledge that in trade and investment, problems of imbalance remain including in the structure of goods traded, with raw materials from the continent to China and manufactured products back to Africa. The paper interrogates the internationalisation of the Chinese state in Africa, providing an insight into the political economy factors sustaining it through a critical analysis of SEZ policy making. It examines the public and private interests of key Chinese and African players, providing an important understanding not only of the possible threats and opportunities that China’s foreign economic behaviour poses for African economies, but also an understanding of the political economy of Chinese-led ‘South-South’ co-operation.

**Keywords**: International Political Economy, South-South Co-operation, internationalisation

**Brief Introduction**

The economic cooperation between developing countries is roundly called South-South cooperation. The idea of South-South co-operation is, however, not new. Rather, it is a phenomenon that can be traced to as far back as the Bandung Conference of 1955. At this historic meeting, ‘the Asian-African Conference considered problems of common interest and concern to countries of Asia and Africa and discussed ways and means by which their people could achieve fuller economic, cultural and political co-operation’.[[1]](#footnote-1) Despite its old roots, the current engagement is unique and, according to Sornarajah and Wang, it is a new type of international economic relations on the basis of mutual help and aid, learning from others’ strong points to offset one’s weaknesses, mutual benefits, reciprocity, as well as common progress and development. Now, South-South cooperation has assumed a greater geographical breadth to include all countries in the global South. South-South cooperation manifests itself variously and seems to come across in basically two discernible forms: cooperation between and among developing countries as a community of ‘poor friends’ and institutional regeneration with a view to transforming global institutions to appreciate the concerns of the South. A clear example is the vigorous role of India, China and Brazil in efforts to influence WTO negotiations in developing countries’ favour.

**Methodological details**

In order to analyse the political economy of Chinese capital in Africa, a particular form of Foreign Direct Investment (FDI) has been selected for this paper; that is Special Economic Zones. According to Dwivedi, a Special Economic Zone (SEZ) is a geographical region that has economic laws that are more liberal than a country’s typical economic laws. The category ‘SEZ’ covers a broad range of more specific zone types, including Free Trade Zones (FTZ), Export Processing Zones (EPZ), Free Zones (FZ), Industrial Estates, Free Ports, Urban Enterprise Zones and others.[[2]](#footnote-2) Some scholars are however beginning to make a distinction between EPZ and SEZ based on administration and pragmatism, with Cowaloosur arguing that the demarcation stands more obvious today as SEZs depart from their traditional government-established form to become public-private partnership projects exported overseas.’[[3]](#footnote-3) For the purposes of this project, that distinction will be blurred as the study is interested in the general phenomenon of zones. Many countries in Sub-Saharan Africa see the benefits of Special Economic Zones (SEZ) for attracting FDI to increase economic growth and development. Several such zones, involving strategies ranging from industrial zones to more complex growth poles and clusters, are already operational, while others are in various stages of planning and implementation.[[4]](#footnote-4)

The paper has adopted the case study approach. George and Bennet (2005) have defined “a case as an instance of a class of events. The term ‘class of events’ refers here to a phenomenon of scientific interest, such as revolutions, types of governmental regimes, kinds of economic systems, or personality types that the investigator chooses to study with the aim of developing theory (or ‘generic knowledge’) regarding the causes of similarities or differences among instances (cases) of that class of events”.[[5]](#footnote-5) The Eastern Industrial Park as well as the Chambishi Industrial Zones established by the Chinese in Africa will be the two case studies from whence the lessons of political economy of internationalised Chinese capital will be drawn. China‘s increasing direct investment in manufacturing in Africa is varied but is also visible in industrial parks or SEZs. This approach was formally initiated in 2006 when China committed to establish five zones across Africa, and later in 2007, committed to establish a further five zones. A number of projected zones have been announced and are currently at differing stages of progress and are expected to focus on value-added industries (Edinger, 2008), including in Ethiopia, Mauritius, Nigeria (two), Tanzania, Zambia, Botswana, Sierra Leone, and Egypt. The major limitation is that this is still very much a work in progress and therefore the use of the case studies is not as exhaustive as it should be.

The economic zones are not immune to politics of distribution and they represent a wonderful case study, especially as they have been conceived and established as a way of advancing certain political ends. State-sponsored cooperation programmes such as that to create special economic zones might primarily reflect political goals: building alliances or boosting soft power. China has some history of using state-directed investment for political purposes. After the crackdown on the Tiananmen Square protests in 1989, Beijing used pledges of investment to ‘mobilize against American politicization of the human rights issue’ and accompanied its successful courtship of Taiwan’s allies South Africa and Panama with pledges that included Chinese investment. The task of identifying the specific interests and players at the centre of the Special Economic Zones (SEZs) in Zambia and Ethiopia especially the transnational role of capital in the same is central to this project. As explained by Glassman, the crucial point is that the extension of capital across international boundaries makes possible more complex relationships between capital and the state than what is conceived to be the case when capital is assumed to have a nationality. This framework will be helpful in analysing how the specific strategies of internationalisation of the state reflects the particular location and strategies of Chinese and Indian internationalised capital within Ethiopia and Zambia and how the local fractions of capital are facilitating this role. It will then be possible to identify the political interests in Tanzanian and Ethiopian SEZ policies and how such various interests are aggregated in pursuit of a political equilibrium.

**Theoretical Framework**

Chinas economic co-operation with Africa continues to rise and there indeed is a particular flurry in trade and investment activities of a wide variety. One such area is that of Special Economic Zones (SEZs). China is establishing and invested in such zones which are welcomed by African governments as part of the broader strategy to transforming institutions to improve developmental competitiveness and industrializing economies. The establishment of SEZs in Africa, as this paper will attempt to show, comes through a largely political but also economic process pushed by China in the name of South-South co-operation founded on historical political ties among developing countries. Unlike economics, which emphasizes juridically voluntary exchange, the system of political allocation involves authority.[[6]](#footnote-6) Already, several scholars have characterized this process of economic co-operation in political terms. Ruben Gonzalez-Vicente sees the expansion of Chinese state-owned enterprises operating overseas as nothing but “the internationalisation of the Chinese state.”[[7]](#footnote-7) According to Glassman, the internationalization of capital is the internationalization of the classes in capitalist society. However, the critical point to note, and which guides this study, is that while economic processes may be said to be (increasingly) internationalised, political processes remain much more nationally based. The nation remains the essential unit in which classes organise politically and class relations are played out.[[8]](#footnote-8)

Glassman has defined the internationalisation of the state as a process in which the state apparatus becomes increasingly oriented towards facilitating capital accumulation for the most internationalized investors, regardless of their nationality.[[9]](#footnote-9) This study sees the geopolitics of state internationalisation and territorialisation as one of the underlying motive of Chinese and Indian interest in establishing economic zones in Africa. In the case of China, Vicente notes that ‘there has been thus a tactical, contingent and selective appraisal of particular strategies and ideologies as a consequence of new international encounters, experiences learnt from previous cases of economic growth in East Asia, and an aim to preserve certain principles and power structures typical of the political culture of the Chinese state in the last 60 years.[[10]](#footnote-10) In analysing the political economy of China trade and investment in Africa, literature on the internationalisation of capital provides a good framework. Bryan has argued that ‘while capital value may tend to move internationally, the class relations necessary for the production of capital value arise and are reproduced politically within the space of the nation, and by means of the nation state. Thus, in the period of the internationalisation of industrial capital, it is the nation state which secures the political preconditions for international accumulation by ensuring the reproduction of the class relations of capitalism.’[[11]](#footnote-11)If, therefore, the spread of capital into Africa from China as some form of Outward Foreign Direct Investment (OFDI) is seen as a classic example of the internationalisation of capital and by extension, of the state, then this raises some interesting questions as to how this dynamic is affecting the both the Chinese and African state, especially how it is being governed and managed.

 It is noted that SEZs have themselves been instrumental in driving economic growth in China and hence the eagerness to share this development experience with fellow developing countries in South-South co-operation given the generally common historical circumstances including colonisation and the late arrival on the economic development stage. The most successful Special Economic Zone (SEZ) is in China, Shenzhen, has been developed from being a small village to a city with a population over 10 million in 2 decades.[[12]](#footnote-12) Like the Chinese firms that constructed and invested in the Special Economic Zones, the Eastern Industrial Park in Ethiopia, most of China’s major firms operating abroad are still state-owned, and while they have evolved as market actors this evolution is not complete.[[13]](#footnote-13) Brautigam and Xiaoyang agree with Henry W. C. Yeung’s argument that interstate economic activities conducted through China’s national firms are never simply economic, but include elements of politics and diplomacy and ‘should be viewed as institutionally mediated interactions between different nation-states’.[[14]](#footnote-14) This process is a dimension of broader internationalization tendencies which, while not erasing national boundaries in the fashion predicted by the globalization literature, has nonetheless created a set of elite-based transnational alliances which strengthen the possibilities for internationalized capital accumulation based less on national priorities than on shared transnational class interests.[[15]](#footnote-15) In other words, the transnationalization of economic processes creates new kinds of economic groupings, that is, capital that is increasingly connected to post-national economic forces.

From the China–Africa Development Fund promotional booklet, Brautigam and Xiaoyang note that officials from the Ministry of Foreign Affairs and from MOFCOM have urged companies building zones to ‘think about the big picture. Chinese investments in Africa are not purely economic but reflect political policies.’[[16]](#footnote-16) Yet even here, official rhetoric generally emphasizes the economic advantages expected to accrue. As an official report on China–Africa cooperation put it, the Chinese government’s intention was that: ‘Trade and economic cooperation zones built by the Chinese companies will reach a considerable scale, and attract a cluster of Chinese companies to form an industrial chain that can trigger the development of local manufacturing industries.’[[17]](#footnote-17) Yet across the 19 cases (of Chinese-led zones in Africa and elsewhere), it becomes clear that the zones primarily reflect a different, if no less strategic goal: providing a platform to accelerate China’s own domestic restructuring by easing the outward investment of mature Chinese firms, increasing demand for Chinese-made machinery and equipment, and reducing trade frictions by relocating Chinese production to third countries.[[18]](#footnote-18)

The geo-political and geo-economic interests of China thus seem to be economically and politically strategic at the same time. With South-South cooperation, the international dimension of the movement of capital is very central and a framework that appreciates the role of international capital is extremely useful and a gateway to understanding the political economy of Chinese investment in Africa. Whereas the state has always played a key role in political and economic affairs, the capitalist mode of production awakens us to the reality that ‘we can speak of the state ‘as the site of class (-relevant) struggles and contradictions,’ but we also need to be aware that it is “the site of struggles and rivalries among [the state’s] different branches” (Jessop, 1990b:261). As highlighted above, one such undisguised interest is the need by China to leverage their growing statuses as ‘emerging’ powers as a basis for instituting ‘a win-win’ South-South co-operation regime that however addresses their own domestic energy concerns. The same cannot be said though about African countries. Apart from the declared need for investment, capacity building and employment, the political interest as well as the players central to SEZs processes have remained undiscussed due to the assumption that it is purely an economic endeavour.

The internationalisation of capital framework is even useful in examining South-South cooperation between China and Africa because the co-operation has often been touted in glowing terms and at the rhetorical level as underpinned by the ‘solidarity’ issues underpinning the cooperation, there certainly is a geo-political and geo-economic side to the coin. It is still unclear on exactly what expanding South-South cooperation is doing to political dynamics in Africa in part because it is a neglected research interest this far, but also because the cooperation is among “friendly countries” and there is therefore very little suspicion there could be any untoward consequences. China’s presence in Africa and the establishment of SEZs by the same offers a window of opportunity to unpack some of the unanswered and emerging questions. It is important to appreciate the salient aspects of capital internationalisation, to provide a basis for understanding the uniqueness of South-South cooperation governance as a modality of internationalisation, arrangements and relationships and their respective effects on Africa’s political development. In the end, it is hoped that answers or a basis can be provided on the question on whether South-South cooperation is leading to the erosion of state power in Africa or facilitating the internationalisation of the state in Africa based on how this new frontier of internationalised capital/SEZs is being governed.

 The framework provides an opportunity to analyse the constituent parts of internationalising capital, including the ‘transnational coalitions among various fractions of capital”[[19]](#footnote-19) and thus making it possible to determine who is driving the process of SEZs in Africa within the continent and the collaborations thereof with interests from China and the implications on sovereignty and territoriality. Given Glassman’s assertion that ‘capitalist development has tended to promote internationalisation of capital, and with this the internationalization of the state’, the prospects of understanding the political economy of Africa under increasing South-South co-operation by employing this framework have never been this interesting. There are numerous examples where Chinese firms have eclipsed and displaced traditional investors from the African market. This is notably evident in the Chinese strategy constructed around the following features of competitive political advantage comparative economic advantage and symbolic and economic diplomacy by Chinese companies which have pushed out traditional players.[[20]](#footnote-20) In light of the influence of international capital, Ayogu contends that the principal political-governance question is whether or not the increased interaction with China and India induce governments to become more or less responsive or accountable to the electorate or “selectorate?” [[21]](#footnote-21)

Chinese leaders describe these co-operation zones as an important measure to help African countries develop industries and expand local employment.[[22]](#footnote-22) In the case of China, the idea was articulated and announced by Hu Jintao in November 2006 at the Forum on China Africa Co-operation (FOCAC) summit held in Beijing and was initially pushed by state-owned enterprises. State capital is therefore key in this arrangement. The Chinese government has had a significant impact on the geographical distribution of the overseas investments.[[23]](#footnote-23) Chinese enterprises take the lead in proposing and developing the zones for profit, but they compete for subsidies and support from the Chinese government.[[24]](#footnote-24)

Given that internationalisation of capital or the state itself is a part, or a form, of the power of the spread of capital across time and space, Dannenberg *et al* pose a very important question in asking, as is the title of their paper, if Chinese Special Economic Zones in Africa is a new species of globalisation.[[25]](#footnote-25) They conclude by setting at least three research themes for political and economic geographers: 1) emergence of transnational governance and institutions in enclave spaces, 2) investment motives and location choice factors of Chinese actors in Africa, and 3) implications for development and power relations these.[[26]](#footnote-26) Of course, given the like nature of internationalising Indian capital, the same questions can be posed for the Indian side of the case as well. The framework is thus appropriate in eventually making it possible to show that these new economic circumstances provided by South-South co-operation constitute a new frontier of governance and it is opportune to discuss and interrogate the contradictions, formal and informal institutions and networks involved. This is all the more important given the known and unknown weaknesses of the evolving nation-state in Africa. It has been argued that what the overseas zone programme did was to cushion firms against risk and create new incentives that were intended to yield economic benefits for both China and the host country. Here, Beijing’s use of economic statecraft reflects the internationalization of the developmental state, a process already well advanced among other East Asian nations.[[27]](#footnote-27)

**Discussion of Findings and Policy Implications**

Ethiopia has been one of the fastest-growing countries worldwide since 2003, and based on official statistics; excluding oil and gas exporters, only China has grown faster in the last eight years.[[28]](#footnote-28) Building on the expanding economic base and working within the developmental state model (e.g., Kefale, 2011), the Government is seeking to transform the economy, based on major investments in economic infrastructure, economic management reforms, and strategic public sector engagement in the economy.[[29]](#footnote-29) Ethiopia has created a special bond with China with its Embassy in Addis Ababa hosting more Chinese delegates than any other African country. However, in analysing this relationship, the paper will show that, like other states, China uses its economic power strategically. While coercion and overt force are largely absent from China’s overseas engagement today, it is challenging, as Shaun Breslin has noted, to tease apart the purely economic, the soft power, and the resource security aspects of China’s embrace.[[30]](#footnote-30) However, Ethiopia cannot escape the same questions that arise as regards the asymmetry that dogs all African countries in their relationship with China.

The Jiangsu Eastern Industrial Park was wholly established by the Chinese as a Free Trade Zone and touted as a career in transferring Chinese industry, a base of overseas processing trade, and an important bridge for Chinese enterprises entering to the market of Africa, Middle East, Europe and America. It is 100% Chinese owned, principally driven by the Qiyuan Group (steel) plus two small companies, whilst Zhangjiagang Free Trade Zone was brought in as a technical partner. The Park is seen as a part of the Sustainable Development and Poverty Reduction Program (SDPRP) of the Ethiopian Government, and one of the most important projects in the plan of its industrial development. It focuses on construction materials, steel products (plates and pipes) and others. With total Chinese ownership, the Oriental zone in Ethiopia offers the unique opportunity to evaluate the political dynamics in Africa when an economic zone is totally established and owned by the investing country. It was initiated between 2006 and 2007 and the total investment for the construction of the park was US$ 101m.

The formal link between China and Ethiopia in economic and technical cooperation started in 1971. The cooperation includes provision of soft loans, grants and technical assistance. According to Asayehgn Desta, the Chinese investments in Ethiopia are not complementary but appear to be aligned very closely with the South-South cooperative strategies and goals.[[31]](#footnote-31) Though anecdotally focused, the modest contributions upon which we hope other researchers will build is that more case studies need to be collected to analyse if Chinese investments in Ethiopia are politically motivated or are meant to fulfil the ideals of the South-South Cooperation investments.[[32]](#footnote-32) The paper seeks to give insights into such questions using the framework described above.

 There are disparate interests within Ethiopia and China and they are affected and treated differently by internationalising Chinese capital. As Naidu and Mbazima have observed, this creates uncertainty on whether there can be consensus around Africa’s relationship with Beijing.[[33]](#footnote-33) They go on further to give a cautionary comment on South-South relations when stating that it should not be assumed that China would not confront the same challenges like their northern counterparts in the African market partly due to the nature of the African state which still remains arrested by patterns of rentier statehood and politics.[[34]](#footnote-34) Against this background and in view of Indian and Chinese international capital through SEZs, The "political" issue which these propositions on the state raise for analysis is how the state mediates the opposed interests of different fractions of capital. The economic question is how we are to define the opposed interests which must be mediated.[[35]](#footnote-35)

The growing importance of China’s ‘go out’ strategy has meant that specific players are assigned roles, and consequently creating winners and losers. Because the aim is to ensure a vigorous internationalisation of capital, Chinese provincial and central governments have given significantly greater weight to the special interests of state-owned enterprises than to consumer welfare…[[36]](#footnote-36) This clearly shows where the priorities lie, and in this case foreign economic policy is clearly taking precedence over, or at the expense of domestic policy. Moreover, as a result of China’s rising labour cost, local businesses have started relocating their business in inland China or abroad, with negative effects on job creation in coastal China.[[37]](#footnote-37) Of all the constituencies, local, common Chinese people therefore bear the brunt of the effects of internationalisation of capital.

The inevitable result of this state of affairs is that state-owned enterprises have become crucial in the economic, especially outward expansion of China to the extent of gaining a significant and decisive economic voice. According to Branstetter and Feenstra, the continuing presence of inefficient state-owned industries creates a political force that may resist the entry of competing, foreign firms. A number of studies suggest that the Chinese government, both national and local, is acutely aware of this competition, and has taken steps to impede the ability of foreign firms to compete in the Chinese market. There is also more to the state than the national manifestation at the central level as local governments have their own companies that they support in overseas activities, with any project smaller than US$3 million not requiring higher central government approval (Salidjanova, 2011). In total, there are around 100,000 locally controlled SOES compared to just 117 (albeit often massive) SOEs controlled by the central government.[[38]](#footnote-38) The task of ensuring the internationalisation of Chinese capital into Africa entails therefore negative or undesirable consequences for both some domestic constituencies as well as international ones as the Chinese authorities ensure that State-owned enterprises are first and foremost strong at home before they “go out”.

It is getting increasingly clear that China’s foray into Africa under the banner of South-South cooperation is not always based on commercial but strategic calculations. It is therefore imperative that African countries realise that relations with China will not always positively boost their economies. A good example is provided by Ethiopia. Ethiopia is not a “resource-rich” African country. Ethiopia does not produce raw materials critical to China, it does not have large-scale bilateral trade with China, and it does not even have direct access to the sea. And yet China has sought to expand and deepen bilateral relations with Ethiopia in recent years.[[39]](#footnote-39) Ethiopia is the exception to the general observation that ‘the designated countries reflect China’s commercial priorities in Africa’.[[40]](#footnote-40) Ethiopia is important for diplomatic and political reasons as it is not only historically the bastion of Africa’s resistance to colonialism and external domination, but also the seat of the African Union, based in Addis Ababa. By investing in various commercial activities, therefore, such as Special Economic Zones, China is simply using this as a stepping stone or gateway to Africa. Apart from the support of market-seeking FDI, it is likely that geo-political considerations of economic statecraft are also an important driver for the decision of where to establish a SEZ, and, except for Mauritius and Zambia, all zones are located in countries with large populations and high regional political importance.[[41]](#footnote-41)

 Brautigam, has specified the Chinese rationale for initiating SEZs in Africa. The five strategic objectives of the zone are 1) to increase the demand for Chinese products, 2) to reduce trade frictions, 3) ease China’s domestic restructuring, 4) assist China’s enterprises to invest abroad by ‘going global’ in group and 5) to share China’s successful development process with Africa. Despite all the glowing accolades about how SEZs contributed to China’s industrialisation miracle ‘Shenzhen” and more crucially, how they are touted as critical to Africa’s development efforts, it cannot be escaped that Chinese and African businesses are first and foremost economic contenders for investments and markets, in particular in the field of labour-intensive and export-oriented manufacturing like textile and clothing.[[42]](#footnote-42) Given the asymmetrical relationship that Africa has endured with the ‘West’, it is not expected that Africa can engage China on unfair terms too, at least. The challenge though is the difference in capacity and potential between China and Africa with the latter clearly off the pace in terms of competing with China. This imbalance has the effect of Africa creating jobs in China, while imports from China have undermined job markets in Africa.[[43]](#footnote-43)

Chinese firms expanding into Africa with the blessing of the government through South-South cooperation portray themselves as going into Africa to boost the continent’s industrial and manufacturing capacity in line with the rhetoric of a ‘win-win’ situation. However, most firms are relocation to Africa for the sake of their own survival. According to a Deutsche Bank (2006: 4) report, this is partly because ‘hyper-competition’ at home has forced some producers (with state support), to look for overseas markets as alternative sources of profits. Gu Jing (2011) argues that the key has been Small and Medium Enterprises that find it much easier to make a profit when they move to developing countries than to compete with SOES back home.[[44]](#footnote-44) According to Gamora and Mathews, “market hunting Chinese companies which are not yet confident enough to attempt penetration into developed countries have ... adopted the approach of entering less competitive developing country markets. In the wake of increased diplomatic and commercial traffic between China and Ethiopia, the latter has become a favoured ‘testing ground’ in which Chinese companies can test their strength” (2010:96). In such an event, questions can therefore be raised not only about the quality of technical know-how that African countries are getting from this engagement, but also what this means to local, small-medium firms that have to face such competition. In Ethiopia, where a special economic zone was established alongside some heavy infrastructural projects, Chinese companies bring with them both skilled and semiskilled workers, even for such low-paying jobs as driving, painting, and Sino-optimism in Ethiopia masonry.[[45]](#footnote-45)

Adem has given one of the most convincing speculation on how skilful the internationalisation of Chinese capital into Africa though touted as a ‘win-win’, will at least always end up as a ‘win’ for Beijing, which may not always be the case with their African counterparts. The Eastern Industrial Zone established by China in Ethiopia is reportedly not doing very well, or not yet bearing fruit. If China’s assistance fails to bring about tangible and positive economic change in Ethiopia through SEZ initiatives, China will still be able to let itself off the hook, claiming instead credit for the attention it gave to a country that was not naturally well-endowed in the first place. And by then, China will have established its presence and firmly consolidated its influence in other parts of Africa, making its continued presence in Ethiopia all the more unnecessary. At the same time, if the SEZ succeeds, it will be billed as a vindication of the superiority of the Chinese model of partnership and development.[[46]](#footnote-46) The crucial point to note here is that whether Chinese-led SEZs succeed or not, China will always win.

As Chinese-led South-South co-operation expands exponentially, so does the pressure on China to continuously prove that its engagement with developing African countries is not only an imperial venture like the yesteryear relations between Africa and the North, but that it realistically represents a viable alternative acceptable to Africa’s cultural, social, political and economic needs and realities. Growing involvement in African politics and societies leaves Beijing facing the kinds of problems long experienced by governments in the developed world when operating on the continent.[[47]](#footnote-47) Various solutions are being sought, ranging from increasing the number of participants engaged in the policy-making process to tentative engagement with international development regimes. However, because some of the most difficult issues involve adverse reactions to the Chinese presence from African civil societies and political opposition groups, it remains unclear how they can be managed when transactions take place mainly through African elites.[[48]](#footnote-48)

Since international economic activity is sensitive, especially in so far as transnational investments affect local investors and the interests of various fractions of the population, Africa bound industries for SEZs establishment in Africa mean there is an apparent effect of policy in China on how to govern offshore capital. The reason why South-South co-operation has not only thrived but gained important political connotations is precisely because North-South relations were summarily deemed to be beneficial to the North and detrimental to the South. When Chinese companies go offshore, the image they carry is that of China. This is very interesting especially when one considers that although China’s companies might be supported in going overseas by diplomatic activities and through financial support from state banks, as Downs (2007: 48) argues ‘when it comes to choosing where to invest, the companies are almost always in the driver’s seat and the Chinese government …. is often just along for the ride with little idea of the final destination’.[[49]](#footnote-49) What then happens when the same companies are confronted with allegations of exploiting cheap labour? Or poor safety standards? Or when they become known for wanton environmental degradation in collusion with state elites? These are the questions that arise and provoke the important debate on the governance of these ventures and therefore has public policy implications in China since its pursuit of soft power in Africa entails responsible behaviour.

According to Dannenberg et al, despite the positive relationship between institutional quality and FDI in other empirical studies, Chinese SEZs in Africa seem to concentrate in countries with weak institutions.[[50]](#footnote-50) Ethiopia is still struggling to democratise, ever since the war ended with Eritrea in 2000. By suppressing criticism from the donor assistance group, the Ethiopian Government has managed to silence or contain all opposition.[[51]](#footnote-51) This raises issues of accountability, transparency and prudence of transnational financial transactions between international capital from China and the local actors, especially those fractions of capital close to state power. This is exacerbated by the fact that China does not concern itself with meddling in internal affairs of a sovereign state, itself a cardinal principle of its engagement with the world. The institutional quality to oversee these complex transactions of capital is highly inadequate while the civil society is not adequately capacitated, not least the difficulty in accessing relevant, key information to work with pertaining to these deals in the first place. By far one of the starkest, structural problem that afflicts much of Africa, and certainly Ethiopia, is the difficulty of distinguishing between the private sector and the public sector. In a country where political power is still the single most important avenue of securing economic power, ruling party officials enter into big business. To that end, international capital investments simply work in cahoots with local political/economic fractions to in official national projects. Income distribution as well as trickle down is thus severely constrained under such circumstances whilst concerns against unfair labour practices or environmental degradation cannot get meaningful political action.

In Zambia, it turns out the Chinese-led SEZ at Chambishi is also fraught with problems of who gets what. The idea behind any form of FDI is ultimately not to leave the local population in their varied interest groups worse off. Rather, it is the wish of the locals to participate fully in these enterprises so that the relationship can at least be seen as ‘win-win’. The importance of the involvement of local investment should not be overlooked. Brautigam and Tang (2011:37) point to the lack of participation by African partners, who are supposed to be major stakeholders, as one of the biggest problems. When the Chinese are seen to be reaping all the benefits alongside their international partners, it is a foregone conclusion that sooner, rather than later, China’s move into Africa will be seen as a ‘new form of colonialism’ with far reaching consequences for China’s image at home and abroad. At Chambishi, the share of local investors currently is low, which can negatively affect the perception of the local population. Without the involvement of local partners, it is hard to anticipate the occurrence of “spill-over effects”.[[52]](#footnote-52)

**Conclusion**

SEZs established by the Chinese in Africa have Chinese interests to pursue first and foremost. When juxtaposed with the fact that the SEZs themselves operate for profit, it suggests that the African hosts, such as Zambia and Ethiopia for the purpose of this study, sacrifice as well as gain something in the bargain. Much of the research on Chinese-led SEZs in Africa has focused on the economic aspects. This is understandable since such zones basically reside within the economic realm focusing on such areas as investment in such sectors as manufacturing, agriculture, trade, tourism, mining, forestry, etc. with an eye on increasing exports and local sales. However, this paper has attempted to show some political aspects surrounding SEZ policy and its effects on both sides of the continents. The internationalisation of Chinese capital into Africa is still an elite-based relationship with pronounced negative consequences for the less politically and economically powerful in both China and Africa. Public policy making in China has seen a great deal of State-owned enterprises gaining enormous political and financial support and protection at the expense of other constituencies, including foreign investors keen on investing in China, to make China’s ‘go out’ strategy a success. For Africa, not much can be said except that the continent is still structurally, institutionally and politically weak to enable a fairer distribution of the opportunities offered by China.

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