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Chinese influence on urban Africa

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CHINESE INFLUENCE ON URBAN AFRICA EVOLVES TOWARDS INTEGRATED LOCAL DEVELOPMENT

Based on economic complementarities acknowledged by both parties, and in line with its "Going Out" strategy, China's influence on African urbanisation has evolved since 1990 from mainly infrastructure projects to projects that increasingly involve integrated local development. Such a shift can be attested by the establishment of six official Chinese Special Economic Zones in Africa, based upon a three-pillar structure: Chinese state-owned enterprises, local governments, and the China-Africa Development Fund. China's influence on urbanisation in Africa not only builds on exporting surplus and production capacity, but also on development thinking and local development models.

CHINESE URBANISATION IS MOVING TOWARDS AN "URBAN MANAGEMENT" MODEL

According to the 12th Five-Year Plan, sustainable urbanisation is the central driver of Chinese economic development. Beijing is exploring a new urbanisation model, coined as "urban management": the China Development Bank Capital is its main operator, connecting global providers and solutions with local governments and infrastructures. Within this framework, over 30 Chinese Special Urbanisation Zones projects have been implemented in China. This evolution at the national level in its turn influences Chinese urban export strategies.

CHINA AS AFRICA'S FUTURE URBAN MANAGEMENT OPERATOR?

Strong similarities can be found between China's national urbanisation process and its development in some parts of Africa, in terms of public-private partnerships, policy regimes, and development goals. As this connection has been firmly cemented, any major development in the Chinese model of urban development will probably be influential in terms of its export to urban Africa, paving the way for the development of Chinese Special Urbanisation Zones in Africa (CSUZA).

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LIST OF ACRONYMS

CADF: China-Africa Development Fund
CDB: China Development Bank
CDB Capital: China Development Bank Capital
CHINCA: China International Contractors Association
CCECC: China Civil Engineering Construction Corporation
CNMC: China Non-ferrous Mining Corporation
CPPCC: Chinese People's Political Consultative Conference
CUDSCA: China Urbanisation Development Strategic Cooperation Alliance
CRCCL: China Railway Construction Corporation Limited
CRSAA: Chinese Research Society on African Affairs
CSEZA: Chinese Special Economic Zone in Africa
CSOE: Central State Owned Enterprise
CSUZ: Chinese Special Urbanisation Zone
CSUZA: Chinese Special Urbanisation Zone in Africa
ENR: *Engineering News Record*
FOCAC: Forum on China-Africa Cooperation
FDI: Foreign direct investment
FIAS:Foreign Investment Advisory Service of the World Bank Group
FYP : Five Year Plan
MEP: Ministry of Environmental Protection of the People's Republic of China
MOF: Ministry of Finance
MOFCOM: Ministry of Commerce of the People's Republic of China
MOHURD: Ministry of Housing and Rural-Urban Development of the People's Republic of China
MOU: Memorandums of Understanding
NDRC: National Development and Reform Commission of the People's Republic of China
NFGCP: New Finance-Government Cooperation Platform
NLETDZ: National-level Economic and Technology Development Zone
NPC: National People's Congress
ODA: Official Development Assistance
OECD DAC: Development Assistance Committee of The Organisation for Economic Co-operation and Development
OSETCZ: Overseas Economic and Trade Cooperation Zone
PPP: Public Private Partnership
SEZ: Special Economic Zone
SINOSURE: China Credit Insurance Corporation
SOE: State-Owned Enterprise
TEDA: Tianjin Economic-Technological Development Area Investment Holdings
TNC: Transnational Chinese Companies
TVE: Town and Village Enterprises

EXECUTIVE SUMMARY

A series of bilateral and multi-lateral economic measures and policies that first appeared around the year 2000 have led to the emergence of close relationships between China and Africa. Since then, Chinese influence on urban Africa has evolved from mainly infrastructure projects to those that involve integrated local development, as represented by the six Chinese Special Economic Zones in Africa (CSEZAs) that were established between 2007 and 2009.

In 2007, China overtook France to become the top ranked country of origin of international contractors in Africa. Intense competition has pushed some of the biggest Chinese contractors, including the capital-rich and political resource-rich Central State Owned Enterprises (CSOEs), to diversify their business operations by developing construction related finance and management services, such as Build-Operate-Transfer projects and integrated local development. This has led to a transformation of the typical Chinese contractor, from a nomadic type of contractor involved in one-off business deals, to a middle to long-term local development stakeholder.

In 2006, Chinese president Hu Jintao announced the building of three to five CSEZA. Today, there are six CSEZA in Africa, comprising one in Egypt, two in Nigeria, one in Zambia, one in Ethiopia and one in Mauritius. Chinese state-owned enterprises (SOEs), local governments and the China-Africa Development Fund (CADF) constitute the three pillars of the CSEZA concept. Except for the CSEZAs in Zambia Chambishi and Lusaka Subzone, Chinese officials responsible for the development of local Special Economic Zones (SEZs) in their own territories are all shareholders of the CSEZA developer company.

SOE contractors and Chinese local governments respectively form the two pillars of the *Tiao/Kuai* power matrix of Chinese government.[1] *Kuai* means horizontal extension, which in this instance refers to the territorial-based Chinese state system and the government of provinces, municipalities, prefectures, cities, counties and villages. *Tiao* translates as vertical extension, and refers to agencies administered by central-level government, party and military units and SOEs that are physically located in the jurisdiction of a territory, but often are not subject to *Kuai* administration.

Tiao representatives (from SOEs) contribute to CSEZA development through their infrastructure construction capacities and established connections with local authorities. *Kuai* agents (from Chinese local governments) are typically selected for CSEZA involvement when they have developed sufficient levels of specialised expertise and business resources that are relevant to SEZ development. The latter are also motivated by the Chinese government's "Going Out policy" which encourages outward foreign investment.

From 1978 until the present day, local government-led SEZ development has been an important tool for the stimulation of great leaps forward for both local economic development and urban space production in the Chinese urban production model. Except for the Mauritius Jinfei SEZ, the other four local governments involved in CSEZA development are all from coastal or riverside cities and have rich SEZ management experience. When viewed from a business point of view, in accordance with the "Going Out" strategy, geographically concentrated Chinese industrial clusters are collectively moving into foreign countries.[2] Since the respective local governments serve as the po-

1. In Chinese: "条块分割"
2. For a brief summary of industrial clusters from the Beijing Axis, a Chinese foreign trade and economy consulting firm, see: http://www.chinasourcingblog.org/2011/11/chinas-industrial-clusters.html

litical representatives for local business interests, they appear to provide a very suitable business "mother ship" for the perpetuation of the Going Out strategy.

CSEZA objectives include not only the development of modern industrial clusters, but also of urban spaces. For example, prior to 2006 the development of the Mauritius CSEZA was influenced by the "urban management" strategy that was incumbent at that time, which meant that its aims included both industrialization and also the increase of land value through the building of urban space. These CSEZA projects are a platform to strengthen China-Africa governance cooperation on local development. In the globalization and urbanisation era, Chinese urbanisation influences urbanisation in Africa in terms of exporting surplus production capacity, development thinking, the local development model etc.

It is difficult to answer questions on the possible future model of Chinese investments to influence urban Africa, because since 2010, the Chinese urbanisation model has entered into a period of profound transition. The currently dominant urbanisation model, which is led by local government and financed by land fiscality, is to become obsolete because it has proved inefficient and unsustainable. Beijing intends to replace it with the new urban management model that deploys business thinking and politics, along with economic and legal measures to optimally utilize local resources and provide a maximum increase in urban value.

According to the new urban management model, local government will no longer assume a leading role in the development of urban space, instead new "urban management operators" will perform this task. In 2009, Beijing established the China Development Bank Capital (CDB Capital), giving it the objectives to reform the fiscally-fueled urban development model and to experiment with the new urban management model, also putting CADF under its administration. Today, CDB Capital is the leading Urban Management Operator in China. Three years after its inauguration, CDB Capital has developed over 30 Chinese Special Urbanisation Zones (CSUZ) in China. And the 2006-inaugurated CADF is today a shareholder of three of the six CSEZA projects in Africa.

There are strong similarities between the CSEZA and CSUZ projects in terms of the Public Private Partnership (PPP) model, policy regimes, development goals, etc. Based on these findings, the authors of this paper predict that a very likely future scenario for Chinese influence to urban Africa is that the Chinese urban management model will be implemented in Africa, paving the way for the development of Chinese Special Urbanisation Zones in Africa (CSUZA).

1. ISSUES

China is rapidly becoming an important player in urban Africa. Chinese investment[3] in infrastructure in Africa over the period from 2001 to 2006 was roughly similar to that financed by all OECD countries combined during the same period (Zoellick, 2010). Since 2006, China has been the pre-eminent contractor in Africa. In 2001, Chinese contractors represented a 7.4% share of Africa's construction market revenue. By 2009, this figure had grown to 36.6%. Today, 50% of Chinese construction projects are won through an international bidding process (Foster *et al.*, 2008).

Since 2006, six Chinese Special Economic Zones in Africa (CSEZA) projects have been established, representing a new kind of Chinese urban supply to Africa and attracting the attention of scholars and the World Bank. There is a certain amount of evidence linking Chinese local government with these CSEZA projects. For example, the Tianjin Economic-Technological Development Area Investment Holdings (TEDA) in Egypt draws its name from the Tianjin municipality, and Nigeria's Guangdong Ogun is named after the Guangdong Province.

The research for this article was conducted in light of this background, with the intention of examining four particular issues:

(a) The evolution of Chinese investment in urban Africa;

(b) The role of Chinese local government in CSEZA;

(c) Changes in public and private stakeholder engagement in Chinese urbanisation and its influence on Chinese investment in urban Africa;

(d) The likely future scenario for the development of Chinese urbanisation projects in Africa.

3. Definitions of international development finance, investment, officially-provided investment, official development assistance, and their application in the China/Africa context, require more than a few lines of explanation. In short, Global Development Finance corresponds to the term "investment" which includes both private and officially-provided investment, the latter including two formats: official development assistance (ODA) and other official flows (OOF). As the discussion around these concepts is outside the focus of this article, please check the article: Bräutigam, Deborah, Chinese Development Aid in Africa: What, Where, Why, and How Much? (June 2011). Available at SSRN: http://ssrn.com/abstract=2013609

2. LITERATURE REVIEW

In the late 2000s, Chinese engagement in urban Africa captured the attention of researchers across the world. Since then, many reports have been published to identify the overall governance of Chinese development aid to Africa and to determine its modality. Chinese engagement in Africa's infrastructure has resulted in significant changes to economic and social conditions (Rockfeller, 2008), and the World Bank has published several reports to highlight the situation in this sector, focusing on China's involvement.

Scholars and researchers appear to have reached a general consensus that Chinese engagement functions differently to that of the OECD Development Assistance Committee (DAC), and will probably continue to do so in future.[4] In 2009, leading scholars such as Martyn Davies and Deborah Brautigam directed their research towards the recently unveiled CSEZA concept. Brautigam considers CSEZAs to be representative of the modality of Chinese engagement (Brautigam, Tang, 2011).

In 2010, World Bank economist Thomas Farole published *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences*, which is based on surveys and fieldwork conducted during 2009 in ten developing countries (six in sub-Saharan Africa). This book documented quantitative and qualitative information on the surveyed Special Economic Zones (SEZs)[5] and produced a policy guide for the implementation of SEZ programmes. In 2011, Brautigam, Farole and Tang Xiaoyang co-published *"China's Investment in African Special Economic Zones: Prospects, Challenges and Opportunities"*, a two page concise summary of the Chinese-developed SEZs, which appeared in the World Bank Journal *Economic Premise* and discussed the successes and challenges of CSEZA.

At around the same time, Brautigam and Tang Xiaoyang published the article *"African Shenzhen: China's special economic zones",* which on the subject of SEZs stated that "These zones are a central platform in China's announced strategy of engagement in Africa" but "little research has been done on these Chinese zones. Some of their most basic aspects are still unclear to many people, even the most obvious question as to which of the many media stories about Chinese zones are about the 'official' zones".[6] This article firstly provides a brief introduction to the evolutionary synergy between Chinese enterprises and the Chinese and African governments in terms of SEZs in Africa, and described these SEZs as a combination of market-based decisions with support and subsidies from an Asian "developmental state".[7]

Brautigam has repeatedly raised questions on the role of Chinese local government in the development of SEZs. In one of her research papers she noted that "from some of the interviews conducted, it would appear that apart from the official national channels, provincial governments were also engaged in various types of partnerships that could fall into the broad category of development assistance, predominantly through twinning relationships with overseas provinces and cities" (Brautigam, 2011). In 2008, Emmanuel Guerin commented that decentralized cooperation between China and Africa, linked closely to Chinese emigrants, is opaque and potentially important.[8] Despite these suspicions, there has been no explicit in-depth research into the nature of SEZ developers, nor an exploration of their connections with Chinese local government.

In conclusion, a review of the literature shows that China is Africa's foremost infrastructure provider and developer of SEZs, and that the gaps in research leave two main questions unanswered: (a) what are the connections between the two forms of Chinese investment in urban Africa? and (b), what role do Chinese local governments have in Africa?

4. The OECD Development Assistance Committee (DAC) groups together the world's main donors, defining and monitoring global standards in key areas of development. The Development Cooperation Directorate (DCD) is the OECD Directorate under which the DAC operates, aiming at developing better policies for better lives through transparent data on development finance, and improved development co-operation practices and policies. Together, DAC and DCD have played a role in forging major international development commitments. The DAC-DCD website is: http://www.oecd.org/department/0,2688,en_2649_33721_1_1_1_1_1,00.html

5. Farole did not focus specifically on Chinese SEZs in Africa.

6. Quoted from her 2011 article.

7. Following Chinese President Hu Jintao's pledge to build three to five SEZs in Africa, the MOFCOM (Ministry of Commerce of People's Republic of China) held two rounds of tenders, in 2006 and 2007, wherein more than 120 Chinese companies proposed projects. MOFCOM deployed a panel of experts to evaluate these tenders based on project market potential, overall feasibility, host country investment environment, the degree of support and the capacity of the developer. Of the 19 zones selected, 7 were in Africa – in Algeria, Egypt, Ethiopia, Mauritius, Nigeria and Zambia. Some countries that had expressed strong interest in hosting a zone, such as Tanzania and Cape Verde, did not receive one.

8. Émmanuel Guérin, *Chinese assistance to Africa: characterization and position*, regarding the global governance of development aid., published by Iddri, Institut du développement durable et des relations internationales, N°03/2008 | GLOBAL GOVERNANCE. http://www.iddri.org/Publications/Collections/Idees-pour-le-debat/Id_0803_Bailleursemergents_Guerin_EN.pdf

3. EARLY CHINESE INVESTMENT IN AFRICAN URBANISATION: INFRASTRUCTURE

From around 2000, connections between China and Africa were strengthened by a series of policies based on the Chinese "Going Out" international business development strategy, and on China's efforts to re-prioritize African diplomacy, and also due to China's entrance to the WTO. When analyzing Chinese engagement with African countries, many scholars have assumed that a major motivating factor for China is its desire to obtain primary resources. While this assumption may indeed be justified, it must be complemented by other aspects, especially with regard to Chinese engagement in African urban-related sectors, infrastructure construction and SEZ development, etc. To date there has been a complete lack of research that focuses on the exchange between the two regions in terms of urban development, despite the fact that urbanisation trends in China and Africa have become the preoccupation of decision-makers of both parties.

Chinese engagement in Africa is highly concentrated on infrastructure sectors (interview EI 1). From the early 2000s, assisted by the political and economic climate described above, there was a massive increase in the (already significant) number of Chinese overseas contractors entering into the African infrastructure market, and these contractors proved to be very competitive. This intensified market competition brought change: the strongest Chinese contractors experimented with Build-Operate-Transfer (BOT) projects in Africa.

3.1. The strengthening of China-Africa relations

Around the middle of the 1990s, Beijing began to encourage the development of transnational Chinese companies and outward investment, after nearly twenty years of "bringing in" foreign investment, technology and skills since 1978. In 1994, the Exim Bank of China was established to provide policies to facilitate foreign trade and investment. In 1996 the then Chinese foreign Economy and Trade minister Wu Yi[9] visited Africa and announced that 11 investment centres would be built in the continent, serving as bases for the local expansion of Chinese businesses. These 11 centres for the promotion of Chinese investment and trade were established in Egypt, Nigeria, Zambia, Kenya and some other African countries. In 1997, the then Chinese president Jiang Zemin spoke of a strategy to encourage overseas investment in the industrial sectors where China had comparative advantages.

As the turn of the millennium approached, two major international relations issues—the "Taiwan Problem" and the "American Problem"—drove China towards the re-prioritization of its African diplomacy. The Ministry of State Security, China's central intelligence agency, took the initial step in this strategic policy adjustment and in late July 1999 it organized a meeting of its pan-African agents to discuss intelligence operations in Africa. Tian Genren, the Head of Guoanbu's Section 17 Department, produced a 115-page master plan for Chinese economic engagement with Africa for the period between 2000 and 2003. In late 1999, the Chinese Research Society on African Affairs (CRSAA) hosted a closed seminar on "21st Century Development Strategy for Sino-African Relations". Through this quasi-academic meeting, Beijing brought this issue into the public sphere and turned its attention towards future policy reform to reposition Africa's strategic meaning. Beijing then strengthened its development aid to African countries in general, concentrating specifically on energy-producing countries and avoiding those such as Swaziland that maintained diplomatic relations with the Taiwan Government.[10]

At the beginning of the 2000s, the "Going Out" or "Going Global"[11] strategy was conceived; officially being launched in 2001 by the Premier Zhu Rongji, when the Chinese economy stabilized following the Asian Financial Crisis. In the same year, Beijing established the China Credit Insurance Corporation (SINOSURE) to support Chinese export and investment abroad by insuring against risks related to buyers and countries. Also, on 31st December 2001 China joined the WTO.

In 2002, the "Going Global" strategy was included in the 10th national Five Year Plan (FYP) and was incorporated into various programmes. By this time, the Chinese construction industry had become established in 188 countries and enjoyed competitive advantages, while the 10th FYP prioritized this sector in the promotion of the "Going Out" strategy.

The "Going Out" strategy became a central theme of the 2002 Central Committee Report to the 16th Party Congress, which focused on the objective "to build our own strong transnational companies and

9. Name in Chinese: 吴仪. The Foreign Economic and Trade Ministry was merged into the Chinese Ministry of Commerce in 2003.

10. Executive Research Associates (Pty) Ltd, China in Africa: A strategic overview, published in October 2009 and available for download from: http://www.ide.go.jp/English/Data/Africa_file/Manualreport/pdf/china_all.pdf

11. "Bring in" is 引进来 and "Going out" is 走出去

our own brand". The Parliamentary Conference of the same year approved the 10th FYP (2001-5), which included multiple programmes under the umbrella of the "Going Out" strategy, which were:

(a) To raise the ratio between the inflow and outflow of foreign direct investment (FDI) to 10:1;

(b) To ensure the sustainability of Chinese economic development and security, the National Development and Reform Commission (NDRC) is to compile a list of overseas investment in the critical resources that China is in short supply of, including oil, gas, wood, ferrous and nonferrous metal, etc.;

(c) To support processing manufacturing in overseas relocations;

(d) To encourage overseas investment, targeting high-tech industry;

(e) To set up overseas research and development centres;

(f) To develop a group of competitive transnational Chinese companies (TNC) within five years; and ensure that 50 of these Chinese TNCs are listed among the top 500 global companies by 2015;

(g) Expand overseas construction projects and the export of labour.

3.2. A massive increase in the number of Chinese contractors entering Africa

Encouraged by the new government policies discussed above, in the early 2000s, Chinese contractors entered into the African market *en masse*. At this time Africa was badly in need of infrastructure. In 2005, the Commission for Africa Report brought the African infrastructure sector into the centre of policy reflection: "In order for Africa to break out of its vicious circle, a 'big-push' in the infrastructure sector would be necessary" (Commission for Africa, 2005).

The initial wave of Chinese contractors largely arrived in Africa with Beijing-financed projects, receiving help in terms of local connections from Chinese Embassies. Beijing's development aid was channeled primarily through China's Exim bank in the form of marginally concessional loans that often formed part of a financing package for commercial projects[12] (Foster *et al.*, 2008). Typically, Chinese contractors arrived in Africa in an *ad hoc* manner without a formal strategic plan or long term commitment. Following the completion of the initial Beijing-financed infrastructure projects, these contractors typically then sought to participate in international bidding processes to gain new contracts.

12. David White, "A spectacular Resurgence"

Chinese contractors proved to be very competitive, not only in terms of the oft-cited advantage of cheap labour costs, but also two other important factors. (a) Chinese contractors are supported by China's domestic industry cluster, as they generally buy Chinese construction equipment because of its lower cost and cheaper maintenance[13] (Chen, Foster and Butterfield, 2007); and (b) Productivity is optimally improved through production specialization among local Chinese stakeholders, with big Chinese contractors often focusing on the core aspect of a construction project, and sub-contracting other project areas such as plumbing, electrical engineering, air conditioning, etc., to private construction companies (Chen, Foster and Butterfield, 2007). Subcontractor companies are often started by former workers of state-owned enterprises (SOEs) and SOE domestic subcontractors.

3.3. Intensification of infrastructural construction market competition

The 2005 Commission for Africa Report brought the African infrastructural sector onto the Western political agenda once again, with the newly arrived Chinese contractors in Africa becoming the focus of industry insiders in the same year. *Engineering News Record*'s (ENR) report on the top 225 international contractors of 2005 was entitled *New Competitors enter Market*. It included several quotations from industrial leaders expressing their concerns about the introduction of competition from Chinese contractors, using words such as: "increase in competition from the Asian countries, particularly China and India…with very aggressive prices as a result of very low labour costs[14]… Chinese companies are running all around the world with… impossibly low prices"[15] (Reina & Tulacz, 2005).

China's Official African year is considered to be 2006. It was in this year that China's turnover from contract labor services in Africa reached US$9.5 billion, a sum that exceeded China's combined total for 1998 to 2002. Another important milestone was reached at around this time: in 2006, France and China were first (24.0% market share, US$ 3.63 million revenue) and second (21.4% market

13. Chen quoted interviews with China International Water and Electronic Company "there is almost nothing (in Africa). There are some cement factories existing in North Africa but couldn't even meet the local demand. In sub-Sahara Africa, everything has to be imported".

14. Quotation from Alfonso González Dominguez, chairman of Spain's Abeinsa

15. Quotation from Bulent Erdogan, general manager for Turkish-based NUROL

share, US$ 3.23 million revenue) respectively in the ENR rankings; by 2007 this situation had been reversed, with China moving to first place (28.4% market share, US$ 5.08 million revenue) and France slipping to second (21.2% market share, US$ 3.80 million revenue).[16] Today Chinese contractors win more than 50% of their total revenue via an international bidding process.

The entrance of Chinese contractors into the market has rapidly intensified competition. However, the fiercest competition often takes place between Chinese contractors. This occurs despite the fact that the major Chinese contractors in Africa are all SOEs and should therefore theoretically serve the same interests. The China International Contractors Association (CHINCA), a quasi-official organization administered by the Ministry of Commerce of the People's Republic of China (MOFCOM),[17] has been put in place to oversee the international activities of Chinese contractors.

However, it emerged that CHINCA was not capable of resolving the problem of fierce competition between Chinese contractors in Africa, the main reasons being that: (a) CHINCA membership did not include all active Chinese contractors in Africa; (b) the homogenous business nature of Chinese contractors made it inherently difficult to control competition between them; (c) sometimes China's massive Central State Owned Enterprises (CSOEs) were not able to align interests among the different units that stretch along their vertical administrative systems, a situation that is vividly encapsulated by those involved in the construction industry with the expression central government army and local government army, *zhongyangjun* and *difangjun* respectively[18] (Interview ES 2); and (d) the exact shareholder structure of many large Chinese companies has become harder to ascertain due to the restructuring of SOEs through the stock market and private equity. Due to reasons (c) and (d), Chinese SOE infrastructure builders are increasingly becoming *de facto* autonomous business entities that base their investment decisions on profitability.

3.4. Chinese contractors begin experimenting with a new business model

Driven by market competition, some of the biggest Chinese contractors in Africa, including the capital-rich and political resource-rich CSOEs, are trying to diversify their business operations by developing construction-related finance and management services. The World Bank has already acknowledged that Chinese contractors are trying to implement BOT projects (Chen *et al.*, 2009), despite the fact that many western businesses have considered the high political risks and the poor economic situation to be too risky (interview EB1) for this type of long-term public-private partnership (PPP) engagement.

In 2010, the Chinese economic journal *Caijing* reported that a number of big Chinese contractors had begun experimenting in China with integrated local development models in specific "zones": they "take over certain local development responsibilities from the local (Chinese) government, such as land planning, first-level development, infrastructural construction and operation, real-estate development, etc., as well as the associated financial management aspects".[19] Some academic experts linked to the Chinese construction industry, including professors from the Tsinghua International construction project management college and from Tianjin University, have actively encouraged the promotion of Chinese contractors to speed up the development of BOT projects (interview ES2) and to experiment with integrated local development models in Africa.

Both the BOT business model currently in use and the forthcoming integrated local development model mean that Chinese contractors will have a decades-long presence in Africa, acting as infrastructure operators, service providers and road toll collectors. These new roles mean that the typical Chinese contractor is undergoing a transformation from the former type of nomadic contractor that seeks one-off business transactions, to become a middle-long term local development stakeholder. This change may have political significance due to the sheer scale and economic weight of the leading Chinese contractors: in the 2011 World Top Ten Contractors in Africa, five are Chinese.[20] If we were to imagine a country that had an annual GDP

16. By compiling data from Peter Reina, Gary J. Tulacz and C.J. Schexnayder, The top 225 international Contractors: New Competitors Enter Market, August 21/28, 2006 and the 2007 version by the same publisher.
17. Chinese Ministry of Commerce
18. *Zhongyangjun*: central government army, 中央军; Difangjun: local government army, 地方军
19. *Caijing*, 19 November 2010.
20. CITIC Construction Co. LTD (2nd), China Communication Construction Group (3rd), LTD, Sinohydro Corporation (5th), China State Construction Engineering Corporation (6th), China Railway Construction Corporation, ltd (10th). Citic Construction Co. ltd., Beijing, China

output equivalent to the total revenue of these five Chinese contractors, this imaginary country would be ranked as the third largest economy in Africa, after South Africa and Nigeria.[21]

4. SECOND MODEL OF CHINESE EXPORT: CHINESE SPECIAL ECONOMIC ZONES IN AFRICA

As mentioned above, China officially proclaimed 2006 to be its "Year of Africa". This year therefore saw the launch of many measures to promote China's engagement with the continent. In January, China published its first *African Policy Paper*[22] in which it announced the intention to build a "new type of strategic partnership". In November, Beijing hosted the third, and so far the largest, Forum on China-Africa Cooperation (FCAC), which attracted dozens of African leaders. During this forum, Chinese president Hu Jintao pledged to help Africa to build three to five SEZs.[23] MOFCOM then confirmed that CSEZA would be a key aspect of its "Going Abroad" Strategy, and held two tender rounds in 2006 and 2007 where more than 120 Chinese companies proposed projects. MOFCOM formed an expert panel to evaluate these tenders based on project market potential, overall feasibility, developer credibility etc. As a result of the tendering process, 19 zones were selected as Beijing-endorsed SEZs, seven of which were in Africa, specifically: one CSEZA in Algeria,[24] Egypt, Ethiopia and Mauritius, and two each in Nigeria and Zambia. Furthermore, some countries, including Tanzania and Cape Verde, expressed a strong interest in hosting a zone but did not receive one. These Beijing-endorsed official CSEZAs are intended as pilot projects for this model, and they receive a high level of political attention.

In fact, for more than a decade prior to 2006, Beijing had been trying to develop SEZ regimes in Africa to host Chinese businesses. For example, in 1994 at the invitation of the Egyptian government, Tianjin Technology and TEDA began discussions on the development of the Egypt Suez TEDA, while in 2003 the Nanjing Jiangning District Governance Committee and two SOEs put forward proposals for the Nigeria Lekki SEZ (Gu, 2007). These earlier endeavors remained largely unknown until the Chinese president Hu endorsed the SEZ-type project at the 2006 FCAC.

4.1. Both Tiao and Kuai agents are involved in developing CSEZAs

CSEZA developers comprise Chinese governmental actors from both the vertically administrated *Tiao* and horizontally administrated *Kuai*. With the exceptions of Zambia Chambishi and Lusaka Subzone CSEZAs, which both concentrate on mining exploitation and treatment industries, Chinese local SEZ developers are usually shareholders of the CSEZA development company. Chinese local officials are often presented as the media face of CSEZAs in China, for example: the Mauritius Jinfei CSEZA was unveiled by Li Xiaopeng, the deputy governor of Shanxi Province,[25] together with the Mauritius president (Liang, 2009); and the TEDA-China Africa Development Fund (CADF) contract signing ceremony of the TEDA CSEZA was presented by Gou Li Jun, the Tianjin municipality government TEDA Working Committee secretary, and Li Xuefeng the Tianjin deputy mayor (TEDA CSEZA, 2012).[26]

SOE contractors and Chinese local government respectively form the two pillars of the *Tiao/Kuai* power matrix of Chinese government.[27] *Kuai* in Chinese means horizontal extension, which in this instance refers to the territorial-based Chinese state system and the government of provinces, municipalities, prefectures, cities, counties and villages. *Tiao* translates as vertical extension, and refers to agencies administered by central-level government, party and military units and SOEs that are physically located in the jurisdiction of a territory, but often are not subject to *Kuai* administration (Hsing, 2010).

21. Calculated by authors, based on statistics from the World Bank and ENR. In detail, Chinese contractor revenues (in $ million) were: Citic Construction Co. Ltd. 3,281, China Communication Construction Group 40,419, China State Construction Engineering Corporation 48,868, China Railway Construction Corporation 76,206, and Sinohydro Corporation 15,883. Added together this is $184,657 million, not too far from the corresponding figure for Nigeria ($202,522 million).

22. In Chinese: 中国对非洲政策文件（全文）, published on 12th January 2006. For more details, refer to: http://news.xinhuanet.com/politics/2006-01/12/content_4042317.htm

23. The Chinese term used for these "SEZs" in official documents is "境外经济贸易合作区".

24. Algeria Jiangling CSEZA is approved in 2006 but suspended in 2007.

25. Li Xiaopeng is the son of the former Chinese premier Li Peng (in office 1988-1998). In 2010, Li Xiaopeng left his post as president of Chinese Huanneg Group, the giant of the Chinese energy generation sector and one of the biggest CSOEs, to commence his political ambitions as the vice-governor of Shanxi.

26. The Minister of Investment, Mohieldin Meets TEDA Officials, SEZONE Development Top Priority, 30 January 2010, http://www.investment.gov.eg/en/Highlights/Pages/chinese2-30-1-2010.aspx

27. In Chinese: "条块分割"

Table 1. Origins of CSEZA Developers

CSEZA	Stakeholder	Chinese shareholder type
Zambia Chambishi/ Lusaka	CNMC	SOE
Egypt TEDA	Tianjin TEDA CADF Egypt-China Corporation for Investment Tianjin Suez International Cooperation	Chinese SEZ developer+SOE+CADF
Nigeria Lekki	Lagos State Lekki Worldwide Investment CADF Jiangning Development Cooperation Nanjing Beyond CCECC CRCCL	Chinese SEZ developer+SOE+CADF
Nigeria Ogun	Guangdong Xinguang Int'l China-Africa Investment Ltd. Ogun State Government Guangdong Zhongnan Chuangzhan Group	Chinese SEZ developer+local SOE
Ethiopia Oriental	Qiyuan Group Jianglian int'l trade CADF Yangyang Assest Management Zhangjiagang Free Trade Zone	Chinese SEZ developer + local private enterprise + CADF
Mauritius Jin-Fei	Shanxi Tianli Group Shanxi Coking Coal Group Taiyuan Iron & Steel Company	Local Government + local SOE

Tiao representatives (from the SOEs) contribute to CSEZA development through their infrastructure construction capacities and their established connections with local authorities to facilitate negotiations. Such connections are particularly good in SOEs that have been in Africa for many years. The Lekki Zone has two SOE shareholders, China Railway Construction Corporation Limited (CRCCL) and the China Civil Engineering Construction Corporation (CCECC), both of which have been active for a long period in Nigeria.[28] Similarly, the Zambia Zone developer China Non-ferrous Mining Corporation (CNMC) started its business operations in Zambia in 1998, and is now the nation's largest Chinese investor. Driven by market competition, SOEs are often attracted to CSEZA projects for their likely profitability, and they are expanding their business scope to include experimenting with integrated local development and BOT projects.

Kuai officials (from Chinese local government) are typically engaged in the development of CSEZAs because such projects are driven by the collective "Going Out" demand on local businesses, and they may bring valuable experience for the development of SEZs. In accordance with the Going Out strategy, geographically concentrated Chinese industrial clusters are collectively moving into foreign countries.[29] Since the respective local governments serve as the political representatives for local business interests, they appear to provide a very suitable business "mother ship" for the perpetuation of the Going Out strategy. The development and operation of modern CSEZAs[30] requires specialized and tested know-how and business resources, which are especially important for maintaining credibility and to make connections with potential investors. Chinese local governments have a rich knowledge in this field, drawing on their first-hand experience of the development of SEZ economic regimes in their own territories.

Table 2. Possible inputs and motivations of CSEZA Chinese government-affiliated developers

CSEZA Developer	Type	Possible Input	Possible Motivation
Chinese SOE	Tiao	infrastructure construction capacity connection with the local authority	CSEZA as a type of integrated local development
Chinese SEZ developers	Kuai	necessary experience for developing SEZs	The collective "Going Out" demand on local businesses

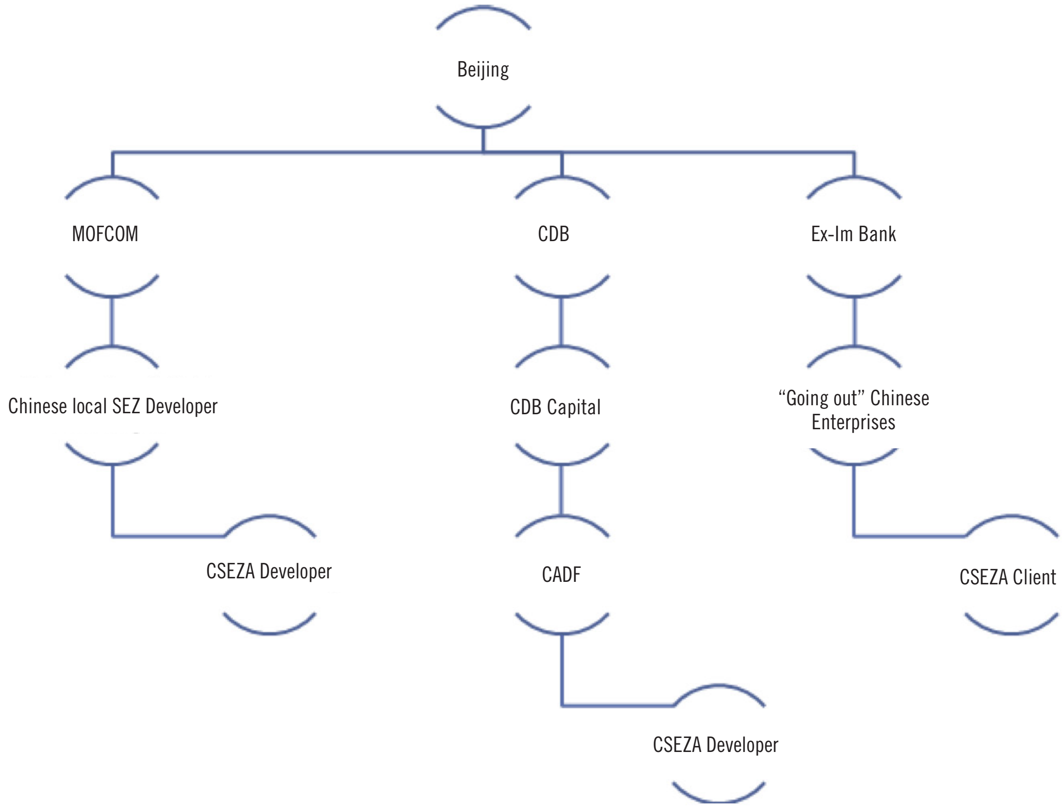
Apart from the Mauritius Jinfei SEZ, the other four local governments involved in CSEZA developments all come from coastal or riverside cities with rich SEZ management experience. For example, the Guangdong Xinguang International Group, a shareholder of the Nigeria Ogun CSEZA, is a type of province-supervised SOE, 100% owned by the Guangdong Province and serves as the Guangdong Province's international cooperation arm. While the Lekki Zone's stakeholder, Nankin Jiangning Development Zone Administration, and the Ethiopia Oriental Zone's stakeholder, the

28. In 1995, CCECC signed a contract worth US$528 million with the Nigerian Government for the renovation of 4,288km of Nigeria's railways.

29. A brief summary of industry clusters, published by the Beijing Axis, a Chinese foreign trade and economy consulting firm, can be found here: http://www.chinasourcingblog.org/2011/11/chinas-industrial-clusters.html

30. Aside from the provision of basic infrastructure equipment, support for imports and exports and assistance to obtain the relevant business licenses, CSEZAs vary from one to another. MOFCOM does not have a standard prescription for the functioning of CSEZA.

Figure 1. Beijing's support and supervision of CSEZAs



Zhangjiagang municipality, are from riverside and harbour cities, respectively, in the Yangtze Delta, a region with strong and lasting commercial traditions, an overseas emigration history, and which represents China's largest modern industrial cluster and conurbation.

Beijing oversees the day-to-day implementation of the CSEZA projects through MOFCOM and CADF. MOFCOM assumes a somewhat facilitating and coordinating role, while CADF serves as a CSEZA project shareholder through direct investment. On 8th November 2011, two MOFCOM bureaus—the bureau of international cooperation and the bureau of foreign investment—hosted a conference on "Experience Sharing on 'Going Out' among the National-Level Economic and Technology Development Area" in Guangzhou. There were 17 National Development Areas[31] that participated in the meeting, sharing their experiences and difficulties of Going Out, learning from each other and providing constructive suggestions to MOFCOM (MOFCOM, 2011).

4.2. The strengthening of China-Africa cooperation on local development

CSEZA projects are intended as pilot projects for Chinese local development governance, and as platforms to strengthen China-Africa governance cooperation.

In February 2007, Chinese president Hu Jintao and his Zambian counterpart Levy Patrick Mwanawasa unveiled the Zambia-China Economic & Trade Cooperation Zone.[32] In November 2009, Chinese Premier Wen Jiabao and his Egyptian counterpart Ahmed Nazef unveiled the Sino-Egypt Suez SEZ.[33] From 2008, the World Bank began to cooperate with MOFCOM to jointly organize the annual "China-Africa Experience-Sharing Program on Special Economic Zones and infrastructural

31. Similar to Special Economic Zones in terms of the policy package. A more detailed explanation is provided in the next chapter.

32. News source: http://news.xinhuanet.com/world/2007-02/05/content_5696315.htm

33. News source: http://news.sina.com.cn/c/2009-11-07/180218997846.shtml

Development/poverty reduction".[34] [35] The World Bank gives this "Experience Sharing" programme a high profile: with the opening ceremony of the 2009 programme also marking the World Bank's 30 year anniversary of its cooperation with China. On this occasion, the then president of the World Bank, Robert B. Zoellick, gave a speech dedicated to the "Experience Sharing" programme.[36]

The "Experience Sharing" programme is designed for senior-level government officials, vice-ministerial (Permanent Secretaries) or Director General-level officials, or equivalent, and those affiliated to relevant ministries.[37] In the framework of this programme, African leaders fly to Beijing for a week of theoretical training by Chinese Ministries and then visit Chinese SEZ cities for two-day on site workshops.

The annual "Experience Sharing" programme lasts for one week and focuses on two sets of policies:

(a) Chinese SEZ policies, which include "effective zone planning and design, sustainable zone management, design and implementation of incentive regimes, customs and trade facilitation, skills development and public-private partnerships";[38]

(b) Chinese infrastructure development policies, which cover: (1) institutional and financial framework support infrastructure development and the division of responsibilities between the central and local authorities and between the state and private markets; (2) the mobilization of external resources to finance infrastructure, including a look at how China once leveraged Official Development Assistance (ODA) and FDI into infrastructure development; and (3) PPP in building infrastructure.

The World Bank has also signed similar Memorandums of Understanding (MOU) with two other countries with SEZ experience, Singapore and Malaysia, aiming to "include the development of SEZs with the World Bank Group's global development knowledge and operational experience for the benefit of developing countries worldwide".[39] Marilou Jane D. Uy, Director for the Private Sector Development unit in the Africa Region of the World Bank, said that: "A lot has been said about the potential of South-South experience and knowledge sharing to boost development across Africa, and this program was just one way in which the World Bank is pushing this agenda in practical ways on the ground".[40]

It may be that the World Bank's engagement in the promotion of the East Asian SEZ experience is being driven by the expectations of African leaders. A year-long one-to-one interview-style survey of African political leaders found that the African political elite increasingly views East Asia as a crucial source of development strategies (Fourie, 2012),[41] and they are looking more and more towards the East for development experience (interview ES 7).

5. THE MACRO PICTURE OF URBANISATION: CHINESE SUPPLY MEETS AFRICAN DEMAND

In a World Bank analysis of Chinese contractors in Africa, African infrastructural experts attribute the reason for its rapid development to what they termed as *"economic complementarities"*: "The growing ties between China and Africa, including

34. This title is abbreviated subsequently in this article as "Experience Sharing". This programme is funded by the South-South Experience Exchange Trust Fund and the DfID China-Africa Trust Fund.

35. The "Experience Sharing" programme positions itself as a response to African demand, for example, an abstract from the "experience sharing" programme training handbook states that: "African Governments have expressed strong interest in learning from China's experience in developing special economic zones."

36. Robert B. Zoellick, 2010, "Remarks for the High-Level China-Africa Experience-Sharing Program on Special Economic Zones and Infrastructure Development", http://www.worldbank.org/en/news/2010/09/14/remarks-high-level-china-africa-experience-sharing-program-special-economic-zones-infrastructure-development

37. The Affiliations of the African officials include: Ministries of industry, trade, land and investment; Ministries of transportation, agricultural/rural development and water resource management; Agencies for trade/export promotion, small and middle size enterprise and private sector development; and heads of existing Special Economic Zones or Export Processing Zones.

38. Abstract from the official document *"China-Africa Experience-Sharing Program on Special Economic Zones and Infrastructure Development— Participants Manual"*. This document was designed for the session of September 14-21, 2010, and can be downloaded from the official agency website: International Poverty Reduction Center in China: http://www.iprcc.org.cn/userfiles/file/%E5%AD%A6%E5%91%98%E6%89%8B%E5%86%8C.pdf.

39. The World Bank Press, No. 2009/348/AFR

40. The World Bank Press, No. 2009/348/AFR

41. Fourie is PhD candidate of South African origin, studying at the School of International Studies, University of Trento (Italy). Her current research focuses on Chinese approaches to modernization and the influence of this ideology on Africa. Fourie conducted fieldwork across sub-Saharan African countries, especially Kenya and Ethiopia, interviewing over one hundred politicians. Her survey confirmed that there is a sharp increase in the number of African leaders that hold the view that Asia's emerging economies, especially China, provide development models for Sub-Sahara countries. She can be contacted through the university website: .http://www.unitn.it/en/drsis/11136/elsje-fourie

China's emerging role as a major financier of infrastructure in the region, can be understood in terms of the economic complementarities that exist between the two parties. China has developed one of the world's largest and most competitive construction industries, particularly in the civil works critical for infrastructure development."[42] (Foster *et al.*, 2008). In the urban infrastructure sector up to 2000, China had surplus production capacity while Africa had an urgent need. Around 2000, when China and Africa strengthened their economic cooperation through bilateral and multilateral mechanisms, Chinese supply began to meet this African demand.

The scale of the Chinese construction industry is indeed incomparable. For example, the 2009 data show that China accounted for almost half of the construction materials consumed worldwide, such as: cement 53.2%, iron ore 47.7%, steel 45.45%, lead 44.6%, aluminum 40.6% and zinc 41.3%. In the same year, China's share of Global GDP was 9.4%, while its oil consumption was 10.3%.[43] The proportion of construction activities out of China's overall national economic activity is particularly high. How has China managed to develop such an immense infrastructure for its construction industry in only a few decades? Who has financed urban infrastructure construction in China, and how? What is the model of Chinese urban development? And what is the role of the SEZ in this model?

5.1. The SEZ: the essential tool of Chinese development and urbanisation

In the Chinese urban development model from 1978 until today, the SEZ has been an important tool to stimulate leaps forward in both local economic development and urban space production.

In the period between 1949 to 1978, although there is rapid industrialization elsewhere in the world, the planning system in China only allowed limited urbanisation, while urban politics mainly involved local governments competing and bargaining for state budget allocation (Hsing, 2010). In 1949, Beijing confiscated and nationalized land across the whole nation and appointed itself as the sole authority responsible for land use decisions. Influenced by Marxist class theories, Chinese leaders decided to transform its imperial cities of the "People's Parasite" to become "the Cities of Workers". Soon, work units, or *Danwei,* composed of production units, along with welfare facilities such as housing, hospitals, child care nurseries etc., emerged as an important form of urban space. Like this, the communist regime's *Tiao/kuai* power matrix became implanted into the physical urban environment. In 1960, a household residency registration system, the *Hukou,* was introduced, linking a person's accessibility to basic services to his registered residency location. *Hukou* effectively mitigated a trend in rural-urban migration that was driven by urban industrialization. Chinese urbanisation slowly rose from around 10% to 17.9%,[44] and then dropped slightly throughout the 1960s and 1970s during the Cultural Revolution when millions of urban youths were sent to the countryside.

In 1978, Deng Xiaoping announced "Reform and Opening Up" in China, adopting the "Ladder step doctrine",[45] a regional development strategy. The "Ladder step doctrine" allowed preferential policies to be carried out in locations where the most favourable conditions already existed (Yang, 1997). The SEZ concept was also launched in this year, with Guangdong and Fujian being chosen to host the first four SEZs—Shenzhen, Zhuhai, Shantou and Xiamen—due to its geographical proximity to Hong Kong and Taiwan, its active connections with Chinese overseas groups and its strong commercial local traditions (Lin, 1997). Simultaneously, Beijing reformed its *Tiao* system: it created construction corporations out of its previous paramilitary bodies[46] and gave them a license to conduct international business. Some of today's largest Chinese SOE contractors were set up in the early 1980s, such as the China Road and Bridge Corporation, China Civil Engineering Construction Corporation, China International Water and Electric Corporation, China National Complete Plant Import and Export Corporation, etc. (Low and Jiang, 2003). Several SOE contractors were granted licenses to enter into the international market and the China Construction Engineering Corporation (CCEC) became the first Chinese transnational construction enterprise.

The first round of SEZ pilot projects proved a great success. For instance, out of the four SEZs designed in 1978, the three in Guangdong received

42. Vivien Foster, William Butterfield, Chuan Chen, Nataliya Pushak, "Building Bridges: China's Growing Role as Infrastructure Financier for Africa", the World Bank, 2008.

43. 2009 Grantham letter.

44. Xie Yang (Researcher from Rural Economy Department of State Council's Development Research Centre), 2006, China's rural development and urbanisation in the era of opening up, China Development Research Foundation. http://www.cdrf.org.cn/a/BGReport/2006_CH.pdf

45. In Chinese: "区域经济梯次推进"

46. Before 1978, the main force in the Chinese construction industry was the railway army of the Construction Ministry (in Chinese: 工程部铁道兵).

7.2% of the total volume of worldwide FDI given to emerging markets in the period of 1979-1995, and 18% of all FDI to China over the same time frame (World Bank, 2009). Millions of tons of cement and the labour of hundreds of thousands of young rural men were used to establish an infrastructure project to attract such FDI; and then, in turn, this FDI was used to create industrial clusters that employed hundreds of thousands of rural women. Large-scale rural-urban migration began simultaneously with SEZ development and the new urban space began to fill with *Dagongzai* and *Dagongmei,* words that refer, respectively, to the men and women of rural origin that came to urban areas for work.

Beijing kept a close eye on its SEZs, and outside of these zones it carefully maintained a conserved urbanisation strategy, favouring small to medium cities and localized population concentration: "to control of big cities along with rational development of medium-sized and small cities" (National Urban Planning Law, 1989).[47] The national average urban population size in 1985 was 2,852, by 1992 this figure had rocketed to 14,182 (Lv, 2010). Farmers were encouraged to "leave the soil but not the village" and "enter the factory but not the city".[48] While China marched towards industrialization at full speed, it headed towards urbanisation at a modest and prudent rate. As a result, Town and Village Enterprises (TVE) thrived and unplanned in-situ urbanisation emerged. "In Guangdong throughout the 1980s the leading positions once held by large cities such as Guangzhou, Foshan, Jiangmen, and many others had been effectively challenged and undermined[49] by rural urbanisation and industrialization" (Lin, 1997).

Beijing soon realized that the modern industrial clusters in SEZs were showing important advantages and proving highly competitive: in 1986, China's export of textiles and clothes surpassed that of oil, resulting in a change in China's export structure from resource-intensive to labour-intensive products, such as textiles and clothes (Zhang, 2010). From the mid-1980s, Beijing began to embrace the "cities as growth poles" theory and advocated the regional development approach of the "city leading the country". SEZs are appreciated as an effective development tool, and from 1984 to 2002 Beijing designated[49] National-level Economic and Technology Development Zones in cities along its eastern coast and in the northeast of the country (Xinhua, 2003).

5.2. Entrepreneurial Chinese local government leads urban production

Towards the end of the 1980s until around 2000, a set of nationwide urban land reform policies was launched. These policies drove the urban production model towards one that was led by local government and financed through land fiscality. This model transformed local governments from executive structures to entrepreneurial entities with a considerable level of autonomy[50]. An appreciation of this fundamental transformation in the nature of Chinese local government is indispensible for understanding their engagement in the CSEZA projects of the 2000s.

In 1986, a new ministry of land management was established. In the following year, local land management bureaus were set up and put under the supervision of municipality government. In 1988, a formal land leasehold market was established that separated land ownership and the usage rights pertaining to the land, a move which immediately triggered the commodification of urban land, since this land suddenly became tradable, giving it a market value overnight.

As the *de facto* local land owners, Chinese municipality governments were undoubtedly the biggest beneficiaries of these changes, however, they did not have a monopoly on land use decisions due to the *Tiao* system that was inherited from the communist era. At this time, most of the core areas in large cities were occupied by *danwei* units, which belonged to the vertically linked and horizontally disconnected *Tiao*. These *Tiao,* motivated by the potential for profit, expanded their rights to de facto ownership, effectively becoming "socialist land masters".[51] Local government, as the most legitimate local state representative, relentlessly challenged these *Tiao* "socialist land masters" with

47. The Policy in Chinese is: "严格控制大城市规模、合理发展中等城市和小城市的方针". The definitions used in this policy are: a 'big city' is any city with a non-agricultural population in its inner area and with a population in its near suburbs that exceeds 500,000; a 'mid-size city' corresponds to one with a population between 200,000 and 500,000; while a 'small city' is one with a population below 200,000.

48. In Chinese: 离土不离乡，进厂不进城

49. George C. S. Lin and Samuel P. S. Ho published a review entitled 'The State, Land System, and Land Development Processes in Contemporary China', *Annals of the Association of American Geographers*, Vol. 95, No. 2 (Jun., 2005), pp.411-436

50. Fan, C. Cindy. 1997. "Uneven Development and Beyond: Regional Development theory in Post-Mao China." *International Journal of Urban and Regional Research* 21 (4): 620–39.

51. In Chinese they are called 土地爷 (tudiye), which literally means land master, You-tiens Hsing translated this as 'socialist land master' to emphasize its socialist origins.

strategies to take control of urban space production and city modernization (Hsing, 2010).

In the *Tiao/Kuai* competition over local land development, Chinese local government was helped in middle of the 1990s by a series of policies, including the establishment of the national major urban infrastructure financial institute in 1994, and the China Development Bank (CDB), which gave local governments access to available financial resources. The passing of the Construction Law (1997) and the Bidding and Tendering Law (1999) put a modern, commercialized construction industry at the disposal of local governments. And finally, the 1998 urban housing reform largely prohibited the *Danwei* from providing welfare housing, thus creating a lucrative housing market. Whereas Chinese local government, influenced by its role of leading local urbanisation and development, became entrepreneurially minded.

Scholars widely agree that Chinese urbanisation since the late 1980s has been a project of state formation, involving negotiation, resistance and compromise at all scales of government and by quasi-government agencies and non-government institutions (McGee *et al.*, 2007). In 2010, You-tien Hsing entitled her book "the Great Transformation: Chinese Urbanisation", which gives an account of Chinese urban politics since late 1980s. It was Karl Polanyi who coined the term "the great transformation" to describe the profound governance transformation that accompanied the birth of the modern market in New England in the 19th century. Hsing borrowed this term from Polanyi[52] to highlight the similarly fundamental transformation that local Chinese governments have undergone to become the rather autonomous entrepreneurial entities that exist today (Hsing, 2010). China has created urban space through "a strategy that local government deployed to mobilize and accumulate original capital"[53] and the process has been "an active driving force instrumental to regional transformation" (Lin & Ho, 2005).

Chinese local governments use SEZs as an essential tool to attract investment and stimulate local development and urbanisation. They get involved in tough negotiations with senior-level officials; for example, big cities negotiate directly with Beijing while smaller ones hold discussions with leaders at the province level, all with the objective of seeking approval to establish SEZs on their territories. Such SEZs are given a variety of different names, such as Industry Parks, High-tech Parks, New Areas, New Cities, Economic and Technical Cooperation areas, among others.[54]

5.3. China's SEZ experience could provide a reference for Africa

The Multi-Donor Investment Climate Advisory Service of the World Bank Group (FIAS) identified approximately 2,500 zones in developing and emerging economies (FIAS, 2008) of which about 40% (more than 1,000) are in East and South Asia, concentrated especially in countries such as India, China, Vietnam and Philippines. Latin America has around 30% (around 750), mostly in Central America, Mexico and the Caribbean. While sub-Saharan Africa accounts for only 4% (around 100) of such zones, and half of these SEZs are in the form of single-factory units in Kenya (Forale, 2010).

Is Beijing's SEZ management experience useful for African countries, and if so, which aspects in particular?[55] A presentation given by CADF at a ceremony where it became a shareholder of the Ethiopia Oriental CSEZA highlighted Beijing's rationale behind CSEZA development: "to develop advantages of China and African countries by match-making technology and management of China with rich resources of land, labour force and raw materials of Africa; to establish a good platform of business climate for investment and operation of Chinese enterprises in Africa" (CADF, 2009).

52. Born 1886, died 1964, philosopher, political economist and economic historian. The theme is suggested in Karl Polanyi's The Great Transformation. Polanyi interpreted the history of industrial society in the 19th and 20th centuries in terms of a pendulum-like "double movement". One side of that movement is towards free and flexible markets that underpin, and in some sense foster, the material and technological gains associated with the Industrial Revolution. The other side is governance mechanisms and social relations as a reaction to the disruption that these markets impose on people's lives, an attempt to preserve the social relations through which people understand themselves and find meaning in their lives.

53. Here Lin means Capital that was created by selling land that was not a commodity before 1988.

54. The next chapter discusses the definition of a Special Economic Zone.

55. Regarding the differences and similarities of Chinese SEZ and CSEZA, the authors found it difficult to draw any general conclusions because both concepts include cases of a diverse nature. Some scholars have attempted to draw a general comparison between the two, such as: Alice N. Sindzingre, *The Rise of China in Sub-Saharan Africa: its Ambiguous Economic Impacts*, a publication of the 4th Congress of the Asia and Pacific Network/4ème Congrès du Réseau Asie et Pacifique, Paris, 14-16 September 2011. This can be downloaded from http://halshs.archives-ouvertes.fr/halshs-00636022/en/. There is also a paper by John Page on this subject, *A new agenda for aid to Africa*, and various articles by Thomas Farole, like *Special Economic Zones Performance, policy and practice-with a focus on Sub-Saharan Africa, International Trade Department*, published by the World Bank

Regarding the technology aspect: Chinese SEZs often consolidate advanced developed industries, while African SEZs often lack industrial focus. The industrial coverage of Chinese SEZs is especially well planned and systematic as a result of the central planning system that was inherited from the communists, and Chinese SEZs are generally spread across wide areas with sufficient space to host entire industrial production chains. Whereas, "one of the striking features of many SEZ programmes in sub-Saharan Africa (with exceptions such as Mauritius, Madagascar and Kenya) is that the few investors they have managed to attract are spread across a wide range of manufacturing sectors" (Farole, 2010).

Regarding the management aspect: China and African countries share the PPP approach to the development of SEZs. Ownership patterns between the public and private sector are strongly regional, for example, Latin American zones are dominated by the private sector, while zones in the Middle East, North Africa, Eastern Europe and Central Asia are mainly controlled by the public sector.

5.4. Similarities and differences of Chinese and African urbanisation

From the perspective of demographic movement, urbanisation in Africa and China has certain similarities: both experienced periods where urbanisation was mitigated prior to the 1970s, followed by rapid urbanisation from the late 1970s onwards and then even greater acceleration in the 1990s. However, when examined from the point of view of urban industrialization and urbanisation development, the two regions have very different trajectories from the late 1970s. Regarding urban industrialization development, Africa did not find an effective tool to stimulate industrialization sufficiently enough to keep up with demographic concentration. China on the other hand, developed the SEZ as an effective industrialization policy tool.

When the demographical concentration trends of the two regions are compared, it emerges that, in Africa, the 1960s school of thought regarding development, which limited rural migration, remained an influence on African decision-makers until the late 1970s when restrictions on rural-urban migration were finally lifted (interview EP 1). Consequently, African farmers began to flock to the cities to search for work, or in fact "the working opportunities they'd imagined", but most soon found that such hopes were largely an illusion and available jobs were few. Nevertheless, many decided to stay in the city and struggled to earn a living in the informal sector (interview EP 1[56]). The 1980s ushered in a period of neo-liberal thinking with the OECD DAC considering that the priority for development aid should be to create a business-friendly environment for private investment. As a result, investment was diverted out of the African infrastructure sector. African local governments did not manage to find a way to realize local development potential and nor were they able to attract external resources to finance infrastructure development. Accordingly, African infrastructure fell into stagnation for nearly 20 years, damaging its business environment and productivity (Forster, 2008).

In China, the government-imposed *Hukou* system from the 1960s, resulted in restricted rural-urban migration, as occurred in Africa during the same period. Indeed, by the end of the 1970s, China's urbanisation rate was only 17.9% (Xie, 2006). From then on, the situations in the two regions began to diverge. Chinese local governments were given the right to conduct SEZ trials, to commodify local land, and not long afterwards were encouraged to become entrepreneurs: to compete for FDI, they commodified local development potentials, built new modern urban infrastructure and created a business-friendly governance environment, including the use of SEZs as an invaluable tool. As a result, FDI flowed in, establishing clusters of industrialization which in turn caused demographic concentration. The new urban dwellers had a need for housing, providing a long-lasting boost to the lucrative urban property market that eventually ensured that local governments were refunded for their initial investment in infrastructure. In this way, SEZ success and the proliferation of the concept occur simultaneously with a growth in urban space production.[57]

56. Quotation from an interview with Mario Pezzini, director of OECD Development Centre: "…In Africa people thought there were more opportunities in cities, but that's not necessarily true. People come to cities looking for development in certain economic activities, or (in other words) it is this expectation of development that has attracted many people to cities, looking for the opportunities that come with industrialization and the development of services. People go to the cities regardless of the actual economic opportunities that may be there, which has resulted in African poverty today very often becoming concentrated in cities. This environment creates a vicious circle, making it less easy to fight poverty.

57. For example, Shenzhen, which was designated as a Chinese Special Economic Zone in 1980, has seen its population grow from less than 1 million in the 1980s, to more 10 million in 2010, a growth rate of almost 20% per year. Its demographic density today stands at 5,201 inhabitants/km² (Tokyo is 5,751), with a per capita living space of 12 m² (Shanghai is 22 and Tokyo 16). Shenzhen's

The Going Out policy, China's reprioritization of Africa, and China becoming a full member of the WTO, along with other measures, strengthened the connections between China and Africa, and by 2000 urbanisation had reached similar levels. Since the 2000s, those involved in Chinese urbanisation, including contractors and entrepreneurial local governments, have been arriving in Africa to search for development opportunities. Constructors have discovered a new market for their surplus production capacities for cheap infrastructure, while Chinese local governments have found cheaper labour and eager markets for their local manufacture industry clusters, along with the willingness of African local governments to learn from China's SEZ experience.

6. FUTURE OUTLOOK: WILL CHINESE URBAN MANAGEMENT OPERATORS BUILD AFRICAN CITIES?

Currently in China, the urbanisation model is evolving into a new phase of urban management that is bringing new development tools, new principle stakeholders, an updated governance model and new urban development benchmarks that differ from those of the pre-2010 era. This evolution towards a new phase is a multidimensional process, involving major changes in: the political dimension, in terms of Beijing's attempts to modify the delegation of its authority to local government; in the economic dimension, in terms of the new business sector and the newly formed type of urban management, and its leading actor CDB Capital, which was created between 2009 and 2012; and finally the dimension of the urban development model in terms of the new PPP model. The latter two of these dimensions, channelled through Chinese actors in Africa, will have an influence on urban Africa.

The urban management model is led by urban management operators, instead of local government. CDB Capital, the administrator of the CADF is now China's leading urban management operator. In 2012, the Central Party School of the Chinese Communist Party published the *City and Town Development and Urban Management* report, which defined urban management as the deployment of business thinking and politics, together with action on markets and laws to optimally utilize local resources and maximize the value of a city.

Today, the connection between Chinese and African urbanisation has been firmly cemented, therefore any major developments in the Chinese model of urban development will be influential in terms of its export to urban Africa. With the emergence of a new type of urbanisation in China, some major questions are arising that need urgent responses regarding the future of China's investment in African urbanisation.

6.1. Urban management operators taking the lead in the implementation of the new urbanisation model

"Chinese urbanisation is entering its middle to late phases, urbanisation should follow the 'self-organized organization' principle", said Qiu Baoxing, vice minister of the Ministry of Housing and Rural-Urban Development (MOHURD).[58] The CDB also confirmed that Chinese urbanisation had entered into a new phase after 2010, and described a characteristic of this new phase as being led by urban management operators.[59]

From the late 1990s until the present day, land fiscality has dominated the urban financing model: local government funds a company that is 100% government-owned, which it uses as a financial vehicle, giving it the responsibility for raising funds and conducting investments. The land is then auctioned to the private sector to obtain finance. However, it is becoming gradually clearer that "this land fiscality plus local government financial platform is not sustainable and is generating two common problems: the first being that in the initial phase of urban development, land is sold on a piece by piece basis, meaning that it is impossible to implement comprehensive planning; secondly, at the beginning of the urbanisation process, land is sold to the private sector, which means that local government does not subsequently benefit from urbanisation and any future increase in land value. A vicious circle is therefore created: local governments have to sell to obtain funds which they can then invest in infrastructure, but they cannot benefit from the increase in land value."[60]

From around 2006, the beginning of the 11th FYP, Beijing began to speed up its policy reform in preparation for a new urbanisation model. During the 11th FYP, the concept of the eco-city entered into the mainstream policy framework through a series

population growth is migration driven: the average age is 26 but only 2.45% of the labour force was unemployed in 2010.

58. Concluding part of Qiu Baoxing's opening speech to the 4th Urban Development and Planning Conference, 27 June.

59. Speech of Li Dongming, general manager of CDB Capital Urban Fund, at the New Cities Summit, 14th May 2012, Paris.

60. Speech by Li Dongming, 14th May, Paris

of reforms carried out by the National Development and Reform Commission (NDRC), Ministry of Housing and Rural-Urban Development (MOHURD) and the Ministry of Environmental Protection of the People's Republic of China (MEP). At the national level, the first ever national land development strategy, which incorporated sustainable urbanisation, was published in June 2010 by the State Council. This report, entitled "National Planning for Main Functional Areas", was the first to integrate transportation strategy, socioeconomic strategy and strategies for natural resource conservation in a holistic manner. Under this plan, various regions were designated with specific primary development objectives, namely prioritized urbanisation, restricted urbanisation and prohibited urbanisation. Mayors are given different appraisal criteria that correspond to these targets[61] (State Council, 2011). For individual cities, Beijing initially issued a policy guide for *tabula rasa*[62] development, i.e. the building of new cities from scratch. On 4th June 2011, MOHURD published "Regulations on MOHURD low carbon pilot city (town) application and management".[63, 64]

China's new urban production model required a new way of urban finance. After an analysis of the existing urban financing model, Beijing decided that the mere provision of loans and guidance to local government would not be sufficient to solve the fundamental problem of urban development. The State Council, therefore, gave approval for the CDB to establish CDB Capital in 2009[65], giving the latter an exclusive license for direct investment; and commissioned it to experiment with a new urban production model to replace the previous one of "massive construction and massive destruction"[66] that was led by local government and based on land fiscality.

In early 2012, this new model was officially defined as "urban management": a commercialized urban production model led by urban management operators. On 28th February 2012, the Central Party School of the Chinese Communist Party[67] released a research report entitled *City and Town Development and Urban Management*.[68] The release date was carefully chosen to be several days before the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC), an occasion when public attention focuses firmly on government, especially the Central Party School of the Communist Party that serves as the main government think tank. The report highlighted the fact that Chinese urbanisation had entered into a new era with the rise of urban management and urban management operators. It also drew attention to the existence of multiple types of urban management operator, some that place the emphasis on infrastructure development, some on the development of residential areas in new towns or urban suburbs, others on the comprehensive integration of resources and a final group that focuses on city marketing.

It also highlighted the benefits of this new model of urban development through the presentation of a case study by the Peking University Resource Group[69] that was conducted in Kaifeng.[70] With ur-

61. According to the designated function of their administrative area, mayors were appraised according to different criteria, some for the level and quality of urbanisation development, others for the conservation of natural landscape or the protection of agricultural land.

62. In this context, this basically means the construction of an eco-city from scratch.

63. In Chinese:《住房和城乡建设部低碳生态试点城（镇）申报管理暂行办法》, MoHURD Regulation No. [2011-78] A Chinese version is available here (access last tested on Aug 2007):
http://www.mohurd.gov.cn/zcfg/jswj/csgh/201107/t20110711_203738.htm

64. In China, there are basically three sets of eco-city definitions and standards. The first two sets are applicable for existing cities, administrated respectively by MOHURD and MEP. Both ministries created their eco-city standards on the basis of pre-existing urban environmental standards: MOHURD's Eco-Garden City Standard focuses mainly on the built-up environment of cities, MEP's Eco-City Standard targets the whole jurisdiction of a city, from the central city to the surrounding suburban and rural areas. The third category of Chinese eco-city is applicable for the tabula rasa eco-cities that are often developed through international cooperation, such as the failed Sino-United Kingdom Chongming Dongtan Eco-City (Dongtan), and the ongoing Tangshan Caofeidian International Eco-City (Caofeidian), and the Sino-Singapore Tianjin Eco-City (SSTEC), etc. Each of these tabula rasa eco-city endeavours has been left to develop its own eco-city standards, subject to NDRC approval.

65. Same as last reference.

66. This is from an extract of Qiu Baoxing's opening speech to the 4th Urban Development and Planning Conference, 27 June. His original words were: "the massive rapid construction and destruction should be abandoned and the 'micro-degrade, micro-energy, micro-natural impact, micro-renewing, micro-transportation, micro-green land, micro-governance' etc., and eco-city planning should be the new urban development standard."

67. With the Chinese vice-president Xi Jinping as Dean

68. In Chinese:《城镇化发展与城市运营》

69. An SOE affliated with Peking University.

70. Kaifeng is a second tier city in central China with a population of around 5 million. The Kaifeng Municipal Government signed a contract with the Peking University Resource Group for local development of the Kaifeng Economic and Technological Zone, a provincial level SEZ that was established in 1992 with a planned area of 80 km² but which currently only has 15 km² of built up area. This contract directed future development in the rest of this SEZ towards an "International Ecological City" as a concentrated residential area.

ban management operator-led local urbanisation and integrated development, the government is returning to its "originally-designed responsibility" focused on the planning, guidance and development of welfare. Urban planners have been released from the responsibilities and risks associated with the financing of urban development. While they continue to draft the local development plan and to guide local spatial development, they now only supervise land development activities rather than becoming directly engaged with them.[71]

Li Dongming, general manager of CDB Capital's Urban Fund, said that: "From now on China is entering into a phase of urban management operator-led urban development. This model is based on market logics and tools. It is only the start of this model in China. In terms of investment and financing, urbanisation in China is in a transition period".[72]

6.2. CDB Capital: a rising giant in the Chinese and African urban sector

CDB Capital was created in 2009 with a mission to explore new models of Chinese urban development. In Africa, CDB Capital is the administrative institute for the CADF, a shareholder in many Chinese infrastructure and CSEZA projects in Africa. In China, CDB Capital owns the Urban Fund, the largest urban operator in the country. In this way, CDB Capital was able to make a direct connection between Chinese urbanisation and China's supply to urban Africa.

In December 2008, the CDB, which was founded in 1994, was restructured to become the China Development Bank Corporation, with a registered capital of RMB 300 billion. The Ministry of Finance (MOF) and Central Huijin Investment Ltd. ("Huijin") are the two shareholders, with 51.3% and 48.7% ownership respectively. The CDB has been the main institute for the issuing of urban infrastructure loans and has thereby developed a deep and wide partnership with local governments in China, retaining a highly experienced in-house team of professionals in the urban development sector.

On 24 August 2009, the Development Bank Corporation established the China Development Bank Capital Co. Ltd (CDB Capital), a wholly-owned subsidiary of CDB with a registered capital of RMB 35 billion. Beijing created CDB Capital as the initial step towards a new financial institution to serve the new urbanisation model. In its presentation brochure, CDB Capital states that: "urbanisation is the core driver of China's future growth".

CDB Capital has an exclusive investment license. It is the only bank-affiliated RMB investment institute in China because Chinese commercial banking law prohibits domestic commercial banks from engaging in direct investment activities. Beijing intends for the CDB to become a comprehensive financial institute.

CDB Capital's strategic business directions include four sectors: urban development, fund management, industry-specific investment and overseas investment. The aim for the CDB's "urban development" sector is "to provide a complete solution for the urbanisation and developmental needs for all regions in China and to explore new modes of development to help accelerate China's urbanisation process".[73] The objective of CDB Capital's "overseas investment" sector is to actively participate in the global market to compliment the "going global" strategy of Chinese companies and the CDB's main overseas business activities.

CDB Capital manages its business segments through different secondary-level subsidiaries, including: CDB Urban Development Fund, CDB Asset Management Co. Ltd., Equipment Manufacturing Fund, CDB Innovation Capital, CDB International Holdings Ltd.(Hong Kong), CDB Fund of Funds, Regional subsidiaries, public listed companies etc.

CDB Capital's medium-term objective is to become the most influential market-based investment and asset management institution in China. While its long-term objectives include becoming a world-class investment and asset management institution with a global influence.

6.3. Chinese Special Urbanisation Zone (CSUZ): a new type of SEZ

In the past, industrialization was viewed as the main engine for economic development and China established the SEZ to facilitate the process. Today, it is urbanisation that is now regarded as the growth engine. In 2011, Beijing announced in its 12th FYP that sustainable urbanisation would become the central driver of Chinese economic development. To stimulate the proper functioning of urbanisation, the new growth engine, a new type of SEZ was required. Today, CDB Capital is spearheading experimentation into the deployment of the urban management concept, to optimally capture the value increase brought by urbanisation. Currently it has around 30 projects of this type, which are

71. Li Dongming, 14th May 2012, Paris

72. Paris, 14th May 2012

73. from CDB Capital presentation.

mainly concentrated along the eastern coast (see Map 2). These projects are developed in a defined area with a special economic policy regime and a goal of stimulating economic development. As such, these areas are essentially a type of SEZ, however, the focus is not only on industrialization, but on "integrated industrialization and urbanisation". It is therefore useful to distinguish such areas with a new term. The authors have chosen the term "Chinese Special Urbanisation Zones" (CSUZ) to make this distinction.

In these existing CSUZ projects, CDB Capital collaborates with local authorities and city mayors to either define an area of around 10 square kilometers as a CDB Capital pilot project site, or to provide assistance to local government for the development of a new district or a new town. The two parties jointly set the integrated local development goal, and create a joint venture company. This company is a market platform and serves as the "New Finance-Government Cooperation Platform" (NFGCP).[74] These NFGCP companies own all of the land and facilities inside the defined area, along with their liabilities and assets, and in turn the company is responsible for the construction of local infrastructure, industrialization and urban development. Local governments provide NFGCPs with a set of preferential policies, including certain tax exemption and tax reduction privileges, status as a charted business, and other benefits.

Through NFGCP companies, CDB Capital has directly introduced a number of sustainable urbanisation practices into local urban development. These practices include for example, integrated forecasting of middle-term development, comprehensive planning[75] through cross-sector partnership and "integrated industrialization and urbanisation" concepts,[76] as well as simultaneous development of urban welfare facilities and environmental protection, etc.

CDB Capital acts as a "strategic" investor and a "resource integrator". It is a strategic investor because it enters into a project in a comprehensive manner at the initial phase of urbanisation, and invests over the long term, normally a period of eight to ten years, and recapitalizes its investment in a gradual manner. It serves as a "resource integrator" in two senses:

(a) **it helps to connect the diverse range of sustainable urbanisation solution providers with local government.** The CDB Capital Urban Fund introduces other players to help them set up funds under the CDB Urban Fund. Businesses with an interest in becoming integrated sustainable urbanisation solution providers, such as Cisco and its intelligent urbanisation blueprint for example, are helped by the CDB Capital Urban Fund to set up a territory-based horizontal fund. While companies interested in becoming specialized service providers are given assistance by the CDB Capital Urban Fund to set up a specialized vertical fund in a specific sector, which can then be integrated into "urban management projects" in different locations. These CDB Capital urban operator partners are mobilized under the umbrella of the "China Urbanisation Development Strategic Cooperation Alliance" (CUDSCA). Currently CUDSCA already includes over one hundred businesses that cover diverse urban development sectors, including urban planning, real estate development, environmental protection, landscape design, theme park development, hotel management and rail transportation, along with ICT enterprises such as Cisco and standard setting organizations such as the American Green Building Council.

(b) **by connecting global financial resources with local infrastructure and the financing requirements of urban development.** CDB Capital's financial resources are very diverse; while almost no governmental money is available, funds instead come from CDB Capital, CDB loans, investment from private equity funds, etc. Money is transferred from CDB Capital to different NFGCP companies and subsequently invested in "urban management projects".

An analysis of these urban management projects soon reveals clear similarities between this new project type and the previous SEZs that were spearheaded by Chinese local governments. Both were designed to stimulate local development within defined spaces with special policy regimes. The difference is that SEZs focused on industrialization, while urban management projects focus on sustainable urbanisation and its related green industry clusters (see Table 2).

74. In Chinese: 新型银政平台

75. Including economical planning, industrial planning, environmental planning, landscape planning, etc.

76. In China, driven by the existing land fiscalities, local governments blindly pushed forward with the development of new urban space, ignoring industrialization and urban amenity requirements, which resulted in many ghost cities, i.e. built up residential areas with very few inhabitants.

Figure 2. CDB Capital: a rising giant in the global urban sector

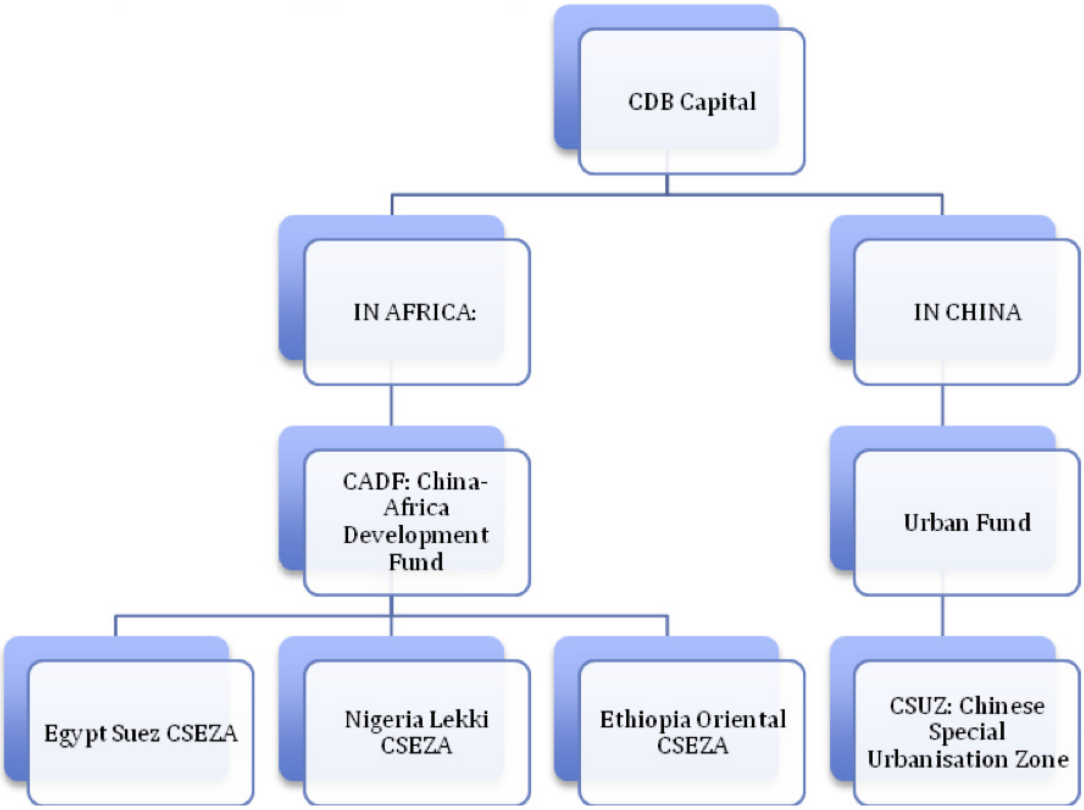
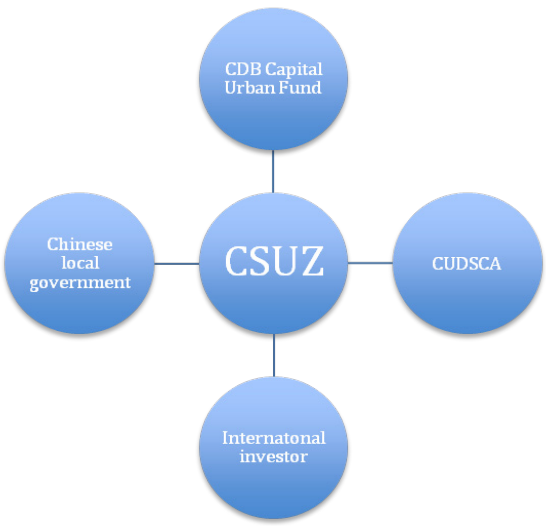


Figure 3. Shareholders of Chinese Special Economic Zones in Africa (CSEZA)

Figure 4. Shareholders of Chinese Special Urbanisation Zones (CSUZ)



Map 1. Distribution of Chinese Special Economic Zones in Africa*

*Thanks to Luke Hurst, PhD Candidate on Economics, The Australian National University, for his permission to use this diagram which is taken from his blog "China Invests": http://chinainvests.org/2011/03/06/chinas-special-economic-zones-in-africa/

Table 3. Comparison of the Chinese Special Economic Zone in Africa and the Special Urbanisation Zone

Zone type	Public Private Partnership		Zone output
	Public sector input	Private sector input	
CSEZA	Land under long-term lease Regime of special economic policy	Finance infrastructure Attract business location Day-to-day management	Industrial cluster is supported by the development of modern infrastructure and residential areas are often present
CSUZ	Land under long-term lease Regime of special economic policy	Finance infrastructure Attract sustainable urban development business Day-to-day management	Urbanized area with integrated industrial development

6.4. Case Study: Mauritius Jin-Fei CSEZA

Not all CSEZA have the traditional goal of the development of industrial clusters. Some embrace elements of "urban management". The following case study of the Mauritius Jin-Fei CSEZA illustrates that: (a) industrialization is not the only CSEZA development objective and, similarly to CSUZ, the development of urban space is also a goal in itself; and (b) the market dynamic of Chinese urbanisation could have a rapid and direct influence in Africa, as have the urban management ideas conceived in Jin-Fei

The Jin-Fei case study begins in March 2002 when Tianli Spinning, the Shanxi private business that was later to become the initiator of the Tianli SEZ (the former name of the Jin-Fei SEZ prior to 2008) arrived in Mauritius to be closer to its clientele. Tianli invested US$ 120 million in setting up Tianli Spinning (Mauritius) Company Limited and shipped 5,000 Chinese female spinning workers to the Mauritius factory (Wang, 2010). This is one side of the story, a traditional tale of business relocation.

The other side of the story does not have a direct link with the Jin-Fei CSEZA from its very beginning. In April 2002 in Beijing, Wang Zhigang,[77] the famous Chinese real estate consultant with the nickname "golden finger",[78] established the "Beijing Fortune Wisdom Economy Strategy Institute".[79] From this point on, Wang shifted his business focus from real estate consulting to integrated local development consulting. Wang's rationale for this strategic move was that "getting the bigger cake meant letting go of the smaller one".

It is not known exactly how and when Tianli and Wang met, but they had forged a partnership prior to 2005, with Wang's studio serving as the think tank and Tianli Spinning as the financer, to work together on the concept of Tianli Special Economic Zones (Tianli SEZ), which Wang called an "urban management" concept. Although Wang's notion of "urban management" differs from that which was later defined by the 2012 *City and Town Development and Urban Management* report, they do however share the fundamental business logic: profit from the increase of land value through urban development.

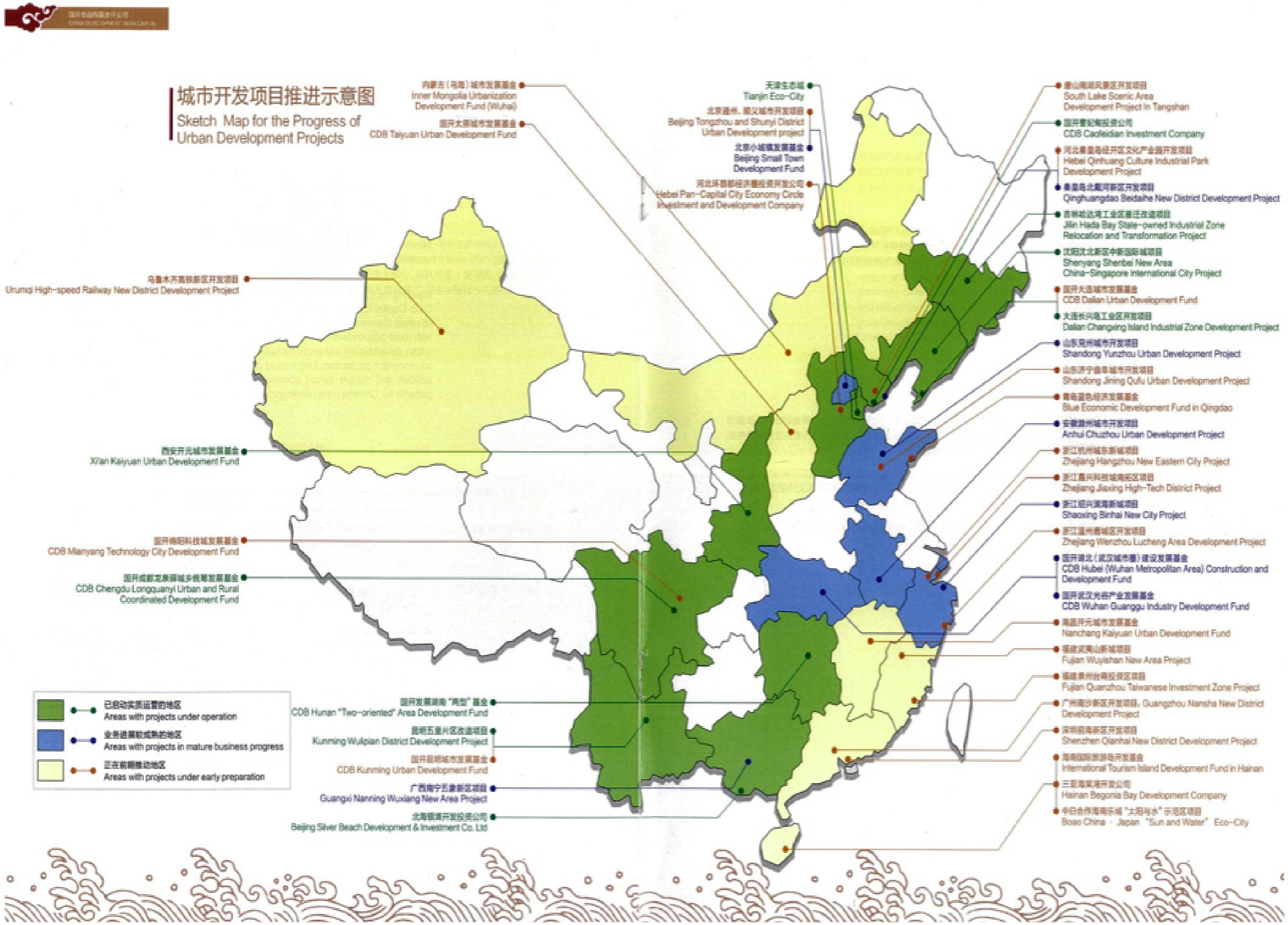
Later, in the 2006/2007 tendering of the CSEZA that was organized by MOFCOM, the Tianli SEZ was approved. Although the initial area was only around 2 km^2, it targeted diverse businesses, ranging from R&D in Chinese medicine to real estate and hotels through to manufacturers of electronic components. The following year, in the middle of the economic crisis, Tianli Spinning faced financial difficulties and two Shanxi provincial-level SOEs bought the Tianli SEZ and renamed it Jin-Fei

77. In Chinese: 王志纲

78. After receiving a college education in economics in the early 1980s, Wang firstly worked as an Economic Researcher in a research agency affiliated with the State Council, and then as a Guangdong Regional Economic journalist at the Xinhua News Agency. In 1994, he left his senior journalist position in Xinhua and started the "Wang Zhigang Studio", which offered strategic consultancy, mainly to real estate enterprises. Following him, the Chinese domestic consulting industry sector came into being in the mid-late 1990s.

79. In Chinese: 北京财智经济战略研究院

Map 2. Chinese Special Urbanisation Zones*,**,***



* Thanks to CDB Capital for granting permission for the use of this map, which is taken from their presentation brochure.

** These SEZs cover diverse themes, including:
(a) national projects, such as investment in national strategic development areas, including projects such as Tianjin eco-city, Dalian Changxing Island Industrial Park, Hunan Changsha's experimental social communities, Zhuzhou and Xiangtan.
(b) Commercial Developments, such as investments in projects favourable to business development and future growth, such as the Xi'an Kaiyuan urban development fund, Shenyang urban development fund and the Kunming Wulipian district development projects, etc.
(c) Leisure, such as investments in regions of cultural significance or of high tourism value, including natural parks and gardens, famous mountains and rivers, and historical and cultural projects, such as the Beihai silver beach development project in Guangxi, the Qinhuangdao Beidaihe New District in Hebei, the International Tourism Island development fund in Hainan, the Wuyi Mountain in Fujian, etc.

*** Green denotes that the project is already in operation; blue denotes a mature business; and yellow indicates that a project is in its early preparation stage

CSEZA, and Jin-Fei means Shanxi-Africa in Chinese. The governor of Shanxi Province became the head of Jin-Fei.[80] In 2009, the Mauritius President and the deputy governor of Shanxi Province, Li Xiaopeng,[81] the son of the former Chinese premier Li Peng (1988-98), unveiled the Jin-Fei CSEZA[82] together.

7. CONCLUSION

Through a literature review in three languages[83] and more than 40 interviews with scholars, bankers, researchers, CSEZA developers and members of the African populations living within these zones, this article, which took six months of research, is able to make the following contributions to the four issues the authors chose to investigate:

(a) Regarding Chinese investment in urban Africa:

From about 2000, a series of bilateral and multilateral economic and political policies have created closer ties between China and Africa. Chinese investment in African urbanisation has evolved mainly through infrastructure projects including integrated local development, as represented by the six CSEZA that were established between 2007 and 2009.

The fundamental reason for the strong growth momentum that has occurred in the Chinese investment in African urbanisation is rooted in the similarities and differences of the Chinese and African urbanisation experience. China created an effective[84] urban development model, led by Chinese local government and which used the SEZ as an indispensable tool, along with a reliance on land fiscality, to maintain the provision of infrastructure for hyper-urbanisation; in Africa, where a similarly strong acceleration of demographic urbanisation can be observed since the 1970s, the search for an effective model of urban development has been largely unsuccessful.

(b) Regarding the role of Chinese local government in Africa

Chinese local governments are central to CSEZA projects: with the exception of the Zambia Chambishi/Lusaka CSEZA project,[85] Chinese local government officials are represented in all of the other five CSEZAs. These Chinese officials form the media image of these CSEZAs as presented to the Chinese media. Apart from the Mauritius Jin-Fei CSEZA, all of these local government officials are from China's wealthy east coast area where they have gained valuable experience in the management of successful SEZs. The likely input of Chinese local governments to these CSEZA projects are: SEZ development experience and the provision of connections with the local industrial cluster. The Going Out policy provides the possible motivation for local industries. Beijing supports and supervises these CSEZA through MOFCOM, CDB and the Exim Bank.

(c) Regarding the evolution of Chinese public-private partnerships in urbanisation

Since the 1980s, Chinese local government has led Chinese local development and urbanisation. From the late 1990s, land fiscality was the dominant urban development financing model. Today, this model has been rendered obsolete because it is has proven itself to be inefficient and unsustainable. Beijing is therefore replacing this outdated model with a new urbanisation model, where local government no longer takes on the leading role for urban space development, which is instead filled by the new urban management operators, which come from both SOEs or private businesses.

(d) Outlook for Chinese urbanisation projects in Africa

The Mauritius Jin-Fei CSEZA case study shows that the current "urban management" model has already influenced Chinese investment in African urbanisation. In 2006, the zone developers focused not only on industrialization, but also on the increase in land value that was brought by urbanisation. Today, urban management has been officially unveiled as a new "blue ocean" industry where CDB Capital, the administrator of CADF, is the leading player. In China, CDB Capital has developed over 30 CSUZs, which are essentially a new kind of SEZ, on the basis of modern reasoning that identifies urbanisation as the predominant engine of growth. In Africa, CADF is a shareholder of three of the six CSEZA. Currently, CDB Capital has the means to test its urban management model in Africa through CSEZA. In future, CDB Capital could not only build CSEZAs, but also be the provider of an African urbanisation model.

80. Internet research shows that major Jin-Fei work meetings were organized by the Shanxi Governor.

81. In Chinese: 李小鹏

82. Jin-Fei means Shanxi-Africa. Jin is the ancient name of Shanxi.

83. English, Chinese and French

84. "Effective" means the ability to provide infrastructure for hyper-urbanisation

85. Specialized in non-ferrous metal exploitation and processing

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ES 1: AFD researcher, specialized in African Urban Finance.

EI 1: Director of OECD Development Centre

EI 2: Research Director at the OECD Development Centre

ES 3: CNRS Researcher specialized in African cities

ES 2: Dean of International Construction Project Management College, Tsinghua University.

ES 4: Researcher at the Chinese Academy of International Trade and Cooperation, MOFCOM's in-house think tank

ES 5: CNRS Researcher specialized in Chinese communities in Africa

ES 7: Researcher in Oxford Policy Management, specialized in Chinese engagement with Zambia's mining sector

ES 9: A Mauritius PhD student at the St Andrews University, thesis on Chinese SEZ in Mauritius

EN 1: "China for a Global Shift" WWF Global Program Operator

EB 1: Director of sustainable urbanisation at GDF Suez

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