China is influencing African cities of tomorrow

In the globalization and urbanization era, Chinese urbanization influences urbanization in Africa in terms of exporting surplus production capacity, development thinking, the local development model, etc. Since 1990, Chinese influence on African urbanization has evolved from mainly infrastructure projects to those that involve integrated local development, as represented by the six official Chinese Special Economic Zones in Africa (CSEZAs) that were established between 2007 and 2009.

The Chinese government plays an important role

Chinese state-owned enterprises (SOEs), local governments and the China-Africa Development Fund (CADF) constitute the three pillars of the CSEZA concept. SOE contractors and Chinese local governments respectively form the two pillars of the Tiao/Kuai power matrix of Chinese government.

Chinese urbanization is embracing the urban operation model

The 2006-inaugurated CADF is a shareholder of three of the six official CSEZA projects in Africa today. CDB Capital, the administrator of CADF, is the leading Urban Operator in China, responsible for the development of over 30 Chinese Special Urbanization Zones (CSUZ) projects in China since 2009. In 2009, Beijing gave CDB Capital the mission to explore possible new urbanization models.

Such a change of the Chinese urbanization model will probably influence Africa

There are strong similarities between the CSEZA projects and the Chinese Special Urbanization Zones (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 on urban Africa is that the Chinese urban operation model will be implemented in Africa, paving the way for the development of Chinese Special Urbanization Zones in Africa (CSUZA).
| copyrights          | Copyright © 2012 IDDRI  
As a foundation of public utility, IDDRI encourages reproduction and communication of its copyrighted materials to the public, with proper credit (bibliographical reference and/or corresponding URL), for personal, corporate or public policy research, or educational purposes. However, IDDRI’s copyrighted materials are not for commercial use or dissemination (print or electronic).  
Unless expressly stated otherwise, the findings, interpretations, and conclusions expressed in the materials are those of the various authors and are not necessarily those of IDDRI’s board.  
| recognition         |  |
| contact             | For more information about this document, please contact the authors:  
Xuan Liu – xuan.liu@sciences-po.org  
Benoit Lefèvre – benoit.lefevre@iddri.org  
ISSN 2258-7535 |
Chinese influence on urban Africa

Xuan Liu, Benoit Lefèvre (IDDRI)

List of acronyms
Executive summary

1. ISSUES

2. LITERATURE REVIEW REFERENCES

3. EARLY CHINESE INVESTMENT IN AFRICAN URBANIZATION: INFRASTRUCTURE

3.1. The strengthening of China-Africa relations from 2000 onwards
3.2. A massive increase in the number of Chinese contractors entering Africa
3.3. Intensification of infrastructural construction market competition
3.4. Chinese contractors begin experimenting with a new business model

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

4.1. The involvement of Tiao/Kuai officials in mixed zone developments
4.2. The strengthening of China-Africa cooperation on local development

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

5.1. The SEZ: the essential tool of Chinese development and urbanization
5.2. Entrepreneurial Chinese local government leads urban production
5.3. China’s SEZ experience could provide a reference for Africa
5.4. Similarities and differences of Chinese and African urbanization

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

6.1. Urban management operators taking the lead in the implementation of the new urbanization model
6.2. CDB Capital: a rising giant in the Chinese and African urban sector
6.3. Chinese Special Urbanization Zone (CSUZ): a new type of SEZ
6.4. Case Study: Mauritius Jin-Fei CSEZA

7. CONCLUSION

REFERENCES
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 Urbanization 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 Urbanization Zone
CSUZA: Chinese Special Urbanization 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
EXECUTIVE SUMMARY

A series of bilateral and multi-lateral economic and political 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 (CSOs), 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 local Special Economic Zone (SEZ) project managers 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. While Kuai agents (from Chinese local governments) are typically selected for CSEZA involvement when they have developed sufficient levels of

---

\(^1\) In Chinese: “条块分割”
specialized 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. 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.

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 operation” 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 urbanization era, Chinese urbanization influences urbanization 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 Africa, because since 2010, the Chinese urbanization model has entered into a period of profound transition. The currently dominant urbanization 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 operation 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 operation model, local government will no longer assume a leading role in the development of urban space, instead new “urban operators” will perform this task. In 2009, Beijing established the China Development Bank Capital (CDB Capital), giving it the objectives to reform the fiscality-fueled urban development model and to experiment with the new urban management operation 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 in China over 30 Chinese Special Urbanization Zones.

---

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
(CSUZ). 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 projects and Chinese Special Urbanization Zone (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 operation model will be implemented in Africa, paving the way for the development of Chinese Special Urbanization Zone in Africa (CSUZA).
1. ISSUES
China is rapidly becoming an important player in urban Africa. Chinese investment 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 urbanization and its influence on Chinese investment in urban Africa;

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

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\(^3\). 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)\(^4\) 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”s. 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”6.

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). While in 2008, Emmanuel Guerin commented that decentralized cooperation between China and Africa, linked closely to Chinese emigrants, is opaque and

---

\(^3\) 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

\(^4\) Farole did not focus specifically on Chinese SEZs in Africa.

\(^5\) Quoted from her 2011 article.

\(^6\) 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.
potentially important. 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?

3. EARLY CHINESE INVESTMENT IN AFRICAN URBANIZATION: 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 urbanization trends in both China and Africa have become the preoccupation of decision-makers in both economies.

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

---


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

At the beginning of the 2000s, the “Going Out” or “Going Global”10 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 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:

---

10 “Bring in” is 引进来 and “Going out” is 走出去
(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\(^\text{11}\) (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.

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\(^\text{12}\) (Chen, Foster and Butterfield, 2007); and (b) Productivity is optimally

---

\(^{11}\) David White, "A spectacular Resurgence"

\(^{12}\) 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-Saharan Africa, everything has to
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” ...Chinese companies are running all around the world with... impossibly low prices” (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 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). 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), has been put in place to oversee the international activities of Chinese contractors.

---

13 Quotation from Alfonso González Dominguez, chairman of Spain's Abeinsa
14 Quotation from Bulent Erdogan, general manager for Turkish-based NUROL
15 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.
16 Chinese Ministry of Commerce
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\(^{17}\) (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, across the Indian Ocean, the credible 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 government, such as land planning, first-level development, infrastructural construction and operation, real-estate development, etc., as well as the associated financial management aspects”\(^{18}\). 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

---

\(^{17}\)Zhongyangjun: central government army, 中央军; Difangjun: local government army, 地方军

\(^{18}\)Caijing, 19 November 2010.
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 Chinese19. If we were to imagine a country that had an annual GDP 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.20

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 Paper21 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 SEZs22. 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 Algeria23, 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

19 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

20 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 The Chinese term used for these “SEZs” in official documents is “境外经济贸易合作区”.
23 Algeria Jiangling CSEZA is approved in 2006 but suspended in 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 comprises 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, together with the Mauritian 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).

Table 1. Origins of CSEZA Developers

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

24 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 Huameg Group, the giant of the Chinese energy generation sector and one of the biggest CSOEIs, to commence his political ambitions as the vice-governor of Shanxi.

SOE contractors and Chinese local government respectively form the two pillars of the Tião/Kuai power matrix of Chinese government. 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. Tião 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.

Tião 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. 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. 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 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.

26 In Chinese: “条块分割”
27 In 1995, CCECC signed a contract worth US$528 million with the Nigerian Government for the renovation of 4,288km of Nigeria’s railways.
28 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
29 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.
Table 2. Possible inputs and motivations of CSEZA Chinese government-affiliated developers

<table>
<thead>
<tr>
<th>CSEZA Developer</th>
<th>Type</th>
<th>Possible Input</th>
<th>Possible Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese SOE</td>
<td>Tiao</td>
<td>infrastructure construction capacity, connection with the local authority</td>
<td>CSEZA as a type of integrated local development</td>
</tr>
<tr>
<td>Chinese SEZ developers</td>
<td>Kuai</td>
<td>necessary experience for developing SEZs</td>
<td>The collective “Going Out” demand on local businesses</td>
</tr>
</tbody>
</table>

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 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\(^{30}\) 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).

---

\(^{30}\) Similar to Special Economic Zones in terms of the policy package. A more detailed explanation is provided in the next chapter.
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. In November 2009, Chinese Premier Wen Jiabao and his Egyptian counterpart Ahmed Nazef unveiled the Sino-Egypt Suez SEZ. 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 Development/poverty reduction”. 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

---

31 News source: http://news.xinhuanet.com/world/2007-02/05/content_5696315.htm
33 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.
34 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.”
with China. On this occasion, the then president of the World Bank, Robert B. Zoellick, gave a speech dedicated to the “Experience Sharing” programme.

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. 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”;

(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”.

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 the this program was just one way in which the World Bank is pushing this agenda in practical ways on the ground.”

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

---

36 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.
37 Abstracted from the official document of “China-Africa Experience-Sharing Program on Special Economic Zones and Infrastructure Development—Participants Manual”. This document is designed for the session of September 14-21, 2010, and it could be downloaded from the site of an official agency: 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.
38 The World Bank Press, No. 2009/348/AFR
elite increasingly views East Asia as a crucial source of development strategies (Fourie, 2012), and they are looking more and more towards the East for development experience (interview ES 7).

5. THE MACRO PICTURE OF URBANIZATION: 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 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.” (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 multi-lateral 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%.

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 urbanization

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

40 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-Saharan countries. She can be contacted through the university website: http://www.unitn.it/en/drisi/11136/elsje-fourie


42 2009 Grantham letter.
urbanization, 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 Maxist 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 urbanization slowly rose from around 10% to 17.9%\(^{43}\), 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”\(^{44}\), 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\(^{45}\) 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 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

---


\(^{44}\) In Chinese: “区域经济梯次推进”

\(^{45}\) 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).
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 urbanization 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). 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”. While China marched towards industrialization at full speed, it headed towards urbanization at a modest and prudent rate. As a result, Town and Village Enterprises (TVE) thrived and unplanned in-situ urbanization 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 by rural urbanization 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 fiscal. This model transformed local governments from executive structures to entrepreneurial entities with a considerable level of autonomy. An appreciation of

---

46 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.

47 In Chinese: 离土不离乡，进厂不进城.


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”50. Local government, as the most legitimate local state representative, relentlessly challenged these Tiao “socialist land masters” with 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 urbanization and development, became entrepreneurially minded.

Scholars widely agree that Chinese urbanization 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 Urbanization”, 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 Polanyi51 to highlight the similarly fundamental

---

50 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.

51 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,
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”\(^52\) 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 urbanization. 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\(^53\).

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? 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).

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).

---

\(^52\) Here Lin means Capital that was created by selling land that was not a commodity before 1988.

\(^53\) The next chapter discusses the definition of a Special Economic Zone.
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 urbanization

From the perspective of demographic movement, urbanization in Africa and China has certain similarities: both experienced periods where urbanization was mitigated prior to the 1970s, followed by rapid urbanization 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 urbanization 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 immigration, 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 154). 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 urbanization 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

---

54 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.”
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 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 population growth is migration driven: the average age is 26 but only 2.45% of the labour force was unemployed in 2010.

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

Currently in China, the urbanization model is evolving into a new phase of urban management that is bringing new development tools, new principle stakeholders, an updated governance model and development benchmarks that differ from those of the pre-2010 era. 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.

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.

Today, the connection between Chinese and African urbanization has been firmly cemented, so 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

---

55 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 population growth is migration driven: the average age is 26 but only 2.45% of the labour force was unemployed in 2010.
type of urbanization in China, some major questions are arising that need urgent responses regarding the future of China’s investment in African urbanization.

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

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

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 urbanization process, land is sold to the private sector, which means that local government does not subsequently benefit from urbanization 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.”

From around 2006, the beginning of the 11th FYP, Beijing began to speed up its policy reform in preparation for a new urbanization model. During the 11th FYP, the concept of the eco-city entered into the mainstream policy framework through a series 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 urbanization, 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 urbanization, restricted urbanization and prohibited urbanization. Mayors are given different appraisal criteria that correspond to these targets (State Council, 2011). For

---

56 Concluding part of Qiu Baoxing’s opening speech to the 4th Urban Development and Planning Conference, 27 June.
58 Speech by Li Dongming, 14th May, Paris
59 According to the designated function of their administrative area, mayors were appraised according to different criteria, some for the level and quality of urbanization development, others for the conservation of natural landscape or the protection of agricultural land.
individual cities, Beijing initially issued a policy guide for tabula rasa\(^6\) development, i.e. the building of new cities from scratch. On 4\(^{th}\) June 2011, MOHURD published “Regulations on MOHURD low carbon pilot city (town) application and management”\(^{61, 62}\).

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\(^63\), 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”\(^64\) that was led by local government and based on land fiscaly.

In early 2012, this new model was officially defined as “urban management operation”: a commercialized urban production model led by urban management operators. On 28\(^{th}\) February 2012, the Central Party School of the Chinese Communist Party\(^65\) released a research report entitled City and Town Development and Urban Management\(^66\). 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 urbanization 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.

\(^{60}\) In this context, this basically means the construction of an eco-city from scratch.


\(^{62}\) 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.

\(^{63}\) Same as last reference.

\(^{64}\) 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.”

\(^{65}\) With the Chinese vice-president Xi Jinping as Dean

\(^{66}\) In Chinese: 《城镇化发展与城市管理》
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\(^{67}\) that was conducted in Kaifeng\(^{68}\). With urban management operator-led local urbanization 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.\(^{69}\)

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, urbanization in China is in a transition period”.\(^{70}\)

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 urbanization 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 urbanization model. In its presentation brochure, CDB Capital states that: “urbanization is the core driver of China’s future growth”.

---

\(^{67}\) An SOE affiliated with Peking University.

\(^{68}\) 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 km\(^2\) but which currently only has 15 km\(^2\) 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.

\(^{69}\) Li Dongming, 14th May 2012, Paris

\(^{70}\) Paris, 14th May 2012
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 urbanization and developmental needs for all regions in China and to explore new modes of development to help accelerate China’s urbanization process”\(^71\). 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 Urbanization 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 urbanization that is now regarded as the growth engine. In 2011, Beijing announced in its 12th FYP that sustainable urbanization would become the central driver of Chinese economic development. To stimulate the proper functioning of urbanization, the new growth engine, a new type of SEZ was required. Today, CDB Capital is spearheading experimentation into the deployment of the urban management operation concept, to optimally capture the value increase brought by urbanization. Currently it has around 30 projects of this type, which are 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 urbanization”. It is therefore useful to distinguish such areas with a new term. The authors have chosen the term “Chinese Special Urbanization 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 CDB Capital’s

\(^{71}\) from CDB Capital presentation.
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). 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 urbanization practices into local urban development. These practices include for example, integrated forecasting of middle-term development, comprehensive planning through cross-sector partnership and “integrated industrialization and urbanization” concepts, 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 urbanization, 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 urbanization 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 urbanization solution providers, such as Cisco and its intelligent urbanization 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 Urbanization 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.

---

72 In Chinese: 新型银政平台
73 Including economical planning, industrial planning, environmental planning, landscape planning, etc.
74 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.
(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 urbanization and its related green industry clusters (see Table 2).

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

Table 2. Comparison of the Chinese Special Economic Zone in Africa and the Special Urbanization Zone

<table>
<thead>
<tr>
<th>Zone type</th>
<th>Public sector input</th>
<th>Private sector input</th>
<th>Zone output</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSEZA</strong></td>
<td>Land under long-term lease</td>
<td>Finance infrastructure</td>
<td>Industrial cluster is supported by the development of modern infrastructure and residential areas are often present</td>
</tr>
<tr>
<td></td>
<td>Regime of special economic policy</td>
<td>Attract business location</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Day-to-day management</td>
<td></td>
</tr>
<tr>
<td><strong>CSUZ</strong></td>
<td>Land under long-term lease</td>
<td>Finance infrastructure</td>
<td>Urbanized area with integrated industrial development</td>
</tr>
<tr>
<td></td>
<td>Regime of special economic policy</td>
<td>Attract sustainable urban development business</td>
<td></td>
</tr>
</tbody>
</table>
Diagram 3. Shareholders of Chinese Special Economic Zones in Africa (CSEZA)

Diagram 4. Shareholders of Chinese Special Urbanization Zones (CSUZ)
Map 1. Distribution of Chinese Special Economic Zones in Africa

Map 2. Chinese Special Urbanization Zones

---

75 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/

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

77 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 Wulipin 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 Beidaimei New District in Hebei, the International Tourism Island development fund in Hainan, the Wuyi Mountain in Fujian, etc.

78 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.
6.4. Case Study: Mauritian Jin-Fei CSEZA

Not all CSEZA have the traditional goal of the development of industrial clusters. Some embrace elements of “urban management operation”. The following case study of the Mauritian 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 urbanization 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,79 the famous Chinese real estate consultant with the nickname “golden finger”,80 established the “Beijing Fortune Wisdom Economy Strategy Institute”.81 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 financier, 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 operation” 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 km², 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 CSEZA, and

---

79 In Chinese: 王志纲
80 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-1990s.
81 In Chinese: 北京财富经济战略研究院
Jin-Fei means Shanxi-Africa in Chinese. The governor of Shanxi Province became the head of Jin-Fei. In 2009, the Mauritius President and the deputy governor of Shanxi Province, Li Xiaopeng, the son of the former Chinese premier Li Peng (1988-98), unveiled the Jin-Fei CSEZA together.

**7. CONCLUSION**

Through literature review in three languages and more than 40 interviews with scholars, bankers, researchers, CSEZA developers and members of the African population living within these zones, this research of six months makes 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 multi-lateral economic and political policies have created closer ties between China and Africa. Chinese investment in African urbanization 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 urbanization is rooted in the similarities and differences of the Chinese and African urbanization experience. While China created an effective 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-urbanization; in Africa, where a similarly strong acceleration of demographic urbanization can be observed since the 1970s, the search for an effective model of urban development is 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, 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.

82 Internet research shows that major Jin-Fei work meetings were organized by the Shanxi Governor.
83 In Chinese: 李小鹏
84 Jin-Fei means Shanxi-Africa, Jin is the ancient name of Shanxi.
85 English, Chinese and French
86 “Effective” means the ability to provide infrastructure for hyper-urbanization
87 Specialized in non-ferrous metal exploitation and processing
(c) Regarding the evolution of Chinese public-private partnerships in urbanization
Since the 1980s, Chinese local government has led Chinese local development and urbanization. From the late 1990s, land fiscalcy 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 urbanization model, where local government no longer takes on the leading role for urban space development, which is instead filled by the new urban operators, which come from both SOEs or private businesses.

(d) Outlook for Chinese urbanization projects in Africa
The Mauritius Jin-Fei CSEZA case study shows that the current “urban management operation” model has already influenced Chinese investment in African urbanization. In 2006, the zone developers focused not only on industrialization, but also on the increase in land value that was brought by urbanization. Today, urban management operation 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 urbanization 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 operation model in Africa through CSEZA. In future, CDB Capital could not only build CSEZAs, but also be the provider of an African urbanization model.
REFERENCES

PRESENTATIONS:


GOVERNMENT DOCUMENTS:


Chinese Efforts on arms control, the prevention of nuclear proliferation and the reduction of the army. http://www.gov.cn/zwgk/2005-09/01/content_28157.htm

2010 Chinese Trade with Western Asia and African Region Countries: http://xyf.mofcom.gov.cn/aarticle/date/201106/20110607596690.html

Ministry of Rail (MOR), 2004, Mid-and Long-Term Planning of National Rail Track”

State Council, 2008, Stimulus Package

State Council, 2011, Twelfth Five Year Plan (12th FYP)

Presentation of loans exclusively for small and medium-sized business development in Africa: http://www.invest.net.cn/News/ShowInfozfhz.aspx?ID=33013

Presentation of loans exclusively for small and medium-sized businesses to enter Africa: http://www.mofcom.gov.cn/aarticle/zhengcejd/bq/bz/201106/20110607591437.html

Illustration of the 12th FYP on the service and business industry: http://www.mofcom.gov.cn/aarticle/zhengcejd/bj/201111/20111107851691.html

Requirements and application procedure for Overseas Economic and Trade Cooperation Area (in Chinese: 境外中国经济贸易合作区的基本要求和申办程序)


12th FYP on Domestic Business Development (in Chinese: 《国内贸易发展规划》, 商务领域3个国家级专项规划之一)

12th FYP on Nurturing international cooperation and new competitive cutting edges (in Chinese: 《培育国际合作和竞争新优势规划》，商务领域3个国家级专项规划之一)

12th FYP on Opening Up Borders for Area Development (in Chinese: 《沿边地区开放开发规划》, 商务领域3个国家级专项规划之一)


INDUSTRY PUBLICATIONS

http://enr.construction.com/toplists/GlobalContractors/001-100.asp


Huang Yilei and Yong Bai, undated, “The Growth Trend of the Chinese Construction Industry after the Culture Revolution”. University of Kansas Lawrence, KS


**INTERVIEWS**


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 urbanization at GDF Suez

**ACADEMIC ARTICLES**


June 15th 2012


Nitze, Paul H. *Africa’s Infrastructure*, prepared by the Centre for Chinese Studies, Stellenbosch University & African Studies Program for the Johns Hopkins University, School of Advanced International Studies, Washington, DC. http://www.sais-jhu.edu/academics/regional-studies/africa

OECD DAC. Paris Declaration for Aid and Accra Agenda for Aid, see details: http://www.oecd.org/document/18/0,3746,en_2649_3236398_35401554_1_1_1_1,00.html


The Rockefeller Foundation. 2008. *China's Engagement with African Countries: key findings and recommendations*.


<table>
<thead>
<tr>
<th>titre</th>
<th>Chinese influence on urban Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>auteur(s)</td>
<td>Xuan Liu, Benoit Lefèvre (IDDRI)</td>
</tr>
</tbody>
</table>

**Publis**

- F. Miroux (2012), « Mobilité urbaine et technologies de l’information et de la communication (TIC) : enjeux et perspectives pour le climat », Iddri, Studies n°05/12.

**texte Iddri**

Institut de recherche sur les politiques, l’Institut du développement durable et des relations internationales (Iddri) a pour objectif d’élaborer et de partager des clés d’analyse et de compréhension des enjeux stratégiques du développement durable dans une perspective mondiale. Basé à Paris, l’Iddri accompagne les différents acteurs dans la réflexion sur la gouvernance mondiale des grands problèmes collectifs que sont la lutte contre le changement climatique, la protection de la biodiversité, la sécurité alimentaire ou l’urbanisation, et participe aux travaux sur la redéfinition des trajectoires de développement.

L’Iddri porte une attention toute particulière au développement de réseaux et de partenariats avec les pays émergents et les pays les plus exposés aux risques, de façon à mieux appréhender et partager différentes visions du développement durable et de la gouvernance. Afin de mener à bien son action, l’Iddri s’insère dans un réseau de partenaires issus des secteurs privé, académique, associatif ou public, en France, en Europe et dans le monde.

Institut indépendant, l’Iddri mobilise les moyens et les compétences pour diffuser les idées et les recherches scientifiques les plus pertinentes en amont des négociations et des décisions.
Ses travaux sont structurés transversalement autour de cinq programmes thématiques : gouvernance, climat, biodiversité, fabrique urbaine et agriculture.

L’Iddri publie trois collections propres : les *Working Papers* permettent de diffuser dans des délais brefs des textes sous la responsabilité de leurs auteurs ; les *Policy Briefs* font le point sur des questions scientifiques ou en discussion dans les forums internationaux et dressent un état des controverses ; enfin, les *Studies* s’attachent à approfondir une problématique. L’Iddri développe en outre des partenariats scientifiques et éditoriaux, notamment dans le cadre de la publication de *Regards sur la Terre*, fruit d’une collaboration avec l’Agence française de développement, The Energy and Resources Institute et Armand Colin.

<table>
<thead>
<tr>
<th>Bloc pour en savoir plus</th>
<th>Pour en savoir plus sur les publications et les activités de l’Iddri, visitez <a href="http://www.iddri.org">www.iddri.org</a></th>
</tr>
</thead>
</table>

---

49