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Research Report

Provincial Chinese Actors in Africa: The Case of Sichuan in Uganda

Policy Brief, No. 15/2016

Provided in Cooperation with:

China Africa Research Initiative (CARI), School of Advanced International Studies (SAIS), Johns Hopkins University

Suggested Citation: Shi, Xuefei (2016) : Provincial Chinese Actors in Africa: The Case of Sichuan in Uganda, Policy Brief, No. 15/2016, China Africa Research Initiative (CARI), School of Advanced International Studies (SAIS), Johns Hopkins University, Washington, DC, <http://www.sais-cari.org/publications-policy-briefs>

This Version is available at:

<https://hdl.handle.net/10419/248194>

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POLICY POINTS

Clustering can help overcome challenges of aid sustainability and can catalyze further technical and business cooperation with African counterparts, and will have a more significant impact if directed by sound policy from both sides.

The influence of Chinese provinces in foreign economic cooperation may have been underestimated as provinces can actually facilitate a fair amount of investment for partner countries.

Partner countries should establish and maintain relationships with non-central Chinese actors, recognizing that provincial governments back companies silently at a political and a policy level, and are granted a certain amount of autonomy in developing foreign relationships.


PROVINCIAL CHINESE ACTORS IN AFRICA: THE CASE OF SICHUAN IN UGANDA
BY SHI XUEFEI

In 2001, the Chinese government began a strong, sustained push for Chinese companies to increase their outgoing investment. The expansion of China's "Going Out" or "Going Global" strategy has brought an increasing number of new domestic and international actors in China-Africa relations. Although scholars and journalists have reported on the role of Chinese ministries and state-owned enterprises (SOEs) in Africa, the role of China's provincial/local governments and provincial companies is seldom covered.

Medical teams from Chinese provinces have long been officially "twinned" with particular African countries: Hunan Province serves Sierra Leone and Zimbabwe, for example. Yet unofficial "twinning" between Chinese provinces and African countries has also gradually taken shape in the last thirty years. This generally evolved as Chinese aid workers from particular provinces gained experience in particular African countries, and then introduced others from their province over time. This has laid the foundation for "clustering"—when a group of companies from one region in China all locate fairly close to each other in one African country. As China's "Going Out" policies have evolved, overseas business clusters are becoming officially recognized and promoted by Chinese government officials at all levels.

This brief explores how "twinning" has led to "clustering" of provincial Chinese actors in Africa, and how twinning and clustering are related to China's foreign aid program.

TWINNING IN CHINA'S FOREIGN AID

In China, the more developed provincial governments (or municipalities) aid the less developed provinces. This system is generally referred to as *duikou zhiyuan* (对口支援, "twinning assistance"). A similar twinning system can also be found in China's foreign aid programs. The overseas medical teams, which started in 1963, are perhaps the most well-known example of "twinning." In 2003, there were more than 40 Chinese medical teams from 23 provinces and municipalities working in African countries, and each Chinese province was twinned with at least one African country.¹

Agricultural aid projects run by the Chinese Ministry of Agriculture (MOA) have been structured similarly. Since 2006, the Chinese have funded 25 agro-technology demonstrations centers (ATDCs) in Africa. Even though the ATDCs are constructed as turn-key projects, the MOA assigns and contracts agricultural experts to a

provincial government and a provincial department of agriculture. As a result, most of the 25 centers in Africa have contracts with teams from Chinese provinces. For example, Chongqing sent a team to Tanzania; a team from Hubei is in Mozambique; and Sichuan is in Uganda. Interestingly, these are not the same Chinese province-African country pairs as with the medical teams.

SICHUAN'S ENGAGEMENT WITH UGANDA IN THE 1980s AND 1990s

Although China and Uganda established diplomatic relations in 1962, China's economic support was initially limited because of political turmoil in Uganda. When a new bilateral agreement on economic and technical cooperation was signed between Entebbe's new government and Beijing in 1987, Sichuan International Cooperation Co. Ltd (SICC)—the first Chinese provincial company to promote overseas investment—obtained its first major infrastructure contract in Uganda to rehabilitate a 1,281 km road. By 1991, SICC had become one of the largest contractors in Uganda, constructing more than 20 road projects and buildings for governments and international organizations across the country.

SICC's major business in Ugandan ended in 1997 due to a fatal failure² in the expansion project of Nalubaale Hydroelectric Power Station (Owen Falls Dam) in Jinja. However, SICC's presence had introduced other companies from Sichuan province to Uganda as subcontractors such as Chongqing International Construction Corporation (CICO, 重庆外建), which started as a sub-contractor on SICC's Nalubaale project and was soon able to sustain its own road construction business in Uganda.

SICHUAN'S AGRICULTURAL AID IN UGANDA

A window opened for Sichuan's agribusinesses to "go out"—to invest in Africa—at the end of the 1990s. At the time, the primary players in agricultural aid were the Chinese Ministry of Agriculture and its affiliated state-owned agricultural enterprises. However, in 1997, China started to send experts to the South-South Cooperation (SSC) initiative under the FAO National Food Security

Program. Sichuan province has been active in the SSC program, and Uganda is its third partner country. The Chinese South-South Cooperation team that arrived in Uganda in 2012 was made up of 31 members, including 25 from Sichuan.

Around the same time, another Sichuan company, Huaqiao Fenghuang Group (HFG, 华侨凤凰集团), constructed and began operating a Chinese aquaculture technology demonstration center. This project is one of the 14 agro-technology demonstration centers (ATDCs) in Africa that were announced in the Forum on China-Africa Cooperation (FOCAC) summit in November 2006. The ATDC in Uganda is the only center that focuses on fish farming.

FROM "TWINNING" TO "CLUSTERING"

Although SICC was not successful in its pursuit of long-term investment in Uganda, a growing cluster of Sichuan agri-enterprises may be positioned to reach this goal. This cluster, highlighted by the Sichuan agro-industrial park, was initially made possible by the efforts of the China-FAO South-South Cooperation team, whose goal was focused more on building diplomatic and political ties than on financial profit.

The FAO-SSC program is trilateral, involving Chinese experts, a host country, and the FAO. For China, it is a foreign aid program with diplomatic goals. A diplomatic and political initiative like this requires leaders who are skilled at multilateral cooperation and coordination. Being a trilateral SSC team leader demands not only talents in agriculture, but also keen political sensitivity to balance the team's technical and diplomatic functions. In the Uganda case, the team leader had been a deputy chief of a town in Sichuan, responsible for agricultural affairs for years. He also displayed potential in working and organizing when serving as an expert in

TERMS USED IN OFFICIAL DOCUMENTS FOR CLUSTERING

- **Going Out in Group:** baotuan zouchuqu, 抱团走出去
- **Going Overseas Jointly:** lianhe chuhai, 联合出海
- **Industry Alliance:** chanye lianmeng, 产业联盟

the Nigerian SSC program. He was therefore appointed to be the head when the SSC team to Uganda was being assembled.

The Sichuan team was not only responsible for the technical work of agriculture, however. The team is also expected to take the home province's interest into consideration while fulfilling its (inter-) national duties for the FAO program. In the Uganda case, the MOA is nominally the team's direct supervisor, but it is officials from the Sichuan provincial departments of commerce and agriculture that evaluate team members' performance and ultimately control their future career paths. As a result, the agricultural expert team in Uganda has a strong incentive to combine its foreign aid role with scoping out Uganda's agribusiness potential for their home province's investment interest.

The Chinese FAO team thus became an intermediary between China's foreign aid program in Uganda and, over time, Sichuan's agricultural "Going Out" cluster in Uganda. The timetable below gives a clear view of the team's role as an agribusiness intermediary in the span of two years.

The Sichuan agro-industrial park envisioned in the June 2014 agreement is planned to have five to seven agri-

enterprises from Sichuan in the first phase, covering the production of rice, cotton, mushroom and poultry in Uganda. The plan corresponds to areas prioritized by Uganda but also reflects the recommendations of the Chinese experts from Sichuan who came to Uganda through the FAO program. At present, the park is still in the early stages of development. FAO experts are employed as project leaders for the park, whose salary comes from Sichuan provincial department of agriculture. With the coming of a second FAO team from Sichuan and the continuing operation of aquaculture demonstration center, the aid and business connections between the province and Uganda are likely to multiply.³

Companies from Sichuan have also undertaken well-known projects in other parts of Africa, including in Tanzania, Angola, and South Africa. However, only in Uganda has Sichuan had a continuous political and economic influence over thirty years. Sichuan's engagement with Uganda has grown deeper by following a "twinned aid first, business later" strategy. Moreover, with the help of the FAO-SSC multilateral aid platform, Sichuan companies have a big head start, and are likely to be able to expand in the local market at an unprecedented scale, outpacing their rivals from other Chinese provinces.

Timetable of Uganda-Sichuan interaction since 2012

October 2012	FAO-SSC team (from Sichuan) arrived in Uganda.
Early 2013	The idea of developing a "Going Out" cluster was introduced by the FAO-SSC team and Sichuan government, which was later generalized as "Experts as pioneers, Governments as platforms, Enterprises as performers" (专家探路、政府搭台、企业唱戏, zhuanjia tanlu, zhengfu datai, qiye changxi).
August 2013	A delegation from Uganda's ministry of agriculture visited Sichuan and requested further assistance on agro-tech and capacity building.
September 2013	A delegation from the Sichuan provincial department of agriculture visited Uganda. The idea of an agro-industrial park was introduced by the delegation.
June 2014	Uganda's minister of agriculture visited Sichuan. Yibin city and Masaka District became sister cities. Two agreements were signed: a second FAO team to Uganda and a Sichuan agro-industrial park in Uganda.
August 2014	The first FAO team's mission ended in Uganda.
December 2014	A Ugandan delegation visited Yibin city.

POLICY IMPLICATIONS

One desired outcome of “twinning” within China’s foreign aid system might be the establishment of a “Going Out” cluster of provincial businesses.

- Clustering is one way short-term Chinese aid programs can overcome challenges of sustainability and catalyze further technical and business cooperation with African counterparts. *Chinese aid can thus have a more significant impact in partner countries if clustering is directed with sound policy from both sides.*

“Going Out” business clusters are probably not possible without the endorsement and support from the provincial and local governments.

- Chinese provinces can facilitate a fair amount of investment for partner countries, as shown in the twinning-clustering link. Due to a lack of information and the visible and strong role of the central government, *the influence of Chinese provinces in foreign economic cooperation may have been underestimated.*

Provincial governments seldom engage in overseas economic activities directly, but they back companies silently at a political and a policy level.

- Politically, Chinese provincial and local governments are granted certain autonomy in their relations with foreign countries or counterparts. Given the financial and political resources provincial and local governments may hold, *it is advisable for policymakers from partner countries to establish and maintain relationships with non-central Chinese actors for potential cooperation.*
- At a policy level, a province, or even a municipality, has its own regulations and budgets to support its own companies to “go out.” This suggests that Chinese companies from provincial and local levels may not be at a disadvantage in terms of funding and subsidies, which makes them *a good alternative choice for technical and business cooperation for partner countries.*

ENDNOTES

1. An overview of these medical teams can be found in “Appendix 5: Medical Teams: Chinese Provinces Twinned with African Countries” in Deborah Brautigam, *The Dragon’s Gift: The Real Story of China in Africa*, Oxford University Press, 2009, p.316.
2. SICC’s over-confidence in its relationship with the Ugandan government and with the third-party supervisor, the underrated bid price, and insufficient working capital led to an US\$83 million loss in 1997 when the project’s progress had been severely delayed. The case was so influential in Uganda and in Sichuan that the Chinese central government had to intervene by seeking a political solution with Uganda and by creating an emergency fund for SICC. The company did not survive long after this crisis and eventually went bankrupt in 2004.
3. The park is being constructed by Kehong Uganda, a joint venture of five companies from Sichuan, including Kehong Investment, Chuanlong Tractor, Huinong Machinery, Lueke Poultry and Zhongheng Seeds.

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Support for this policy brief was provided by a grant from Carnegie Corporation of New York.

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Editor: Jessica Lasky-Fink
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