From “debt diplomacy” to donorship? China’s changing role in global development
Abstract

Since the mid-1990s the Chinese state and the country’s firms have massively increased their activity throughout the Global South. In International Development, China’s impacts on this varied meta-region have generated substantial interest in recent years due to their scale, scope, and distinctive nature. Understandably, given the complexity of the subject, most analyses have focussed on discrete aspects of Chinese engagement rather than attempting to undertake more comprehensive assessments around its nature and evolution. This paper engages this lacuna by identifying the main vectors of China’s engagement in the Global South, and examining their adaptive nature. In particular it identifies the main channels of impact and intersection and then focuses down on China’s signature foreign economic policy, the Belt and Road Initiative (BRI), to ground the analysis. The paper then examines ways China is reconfiguring its foreign economic diplomacy in response to the issue of infrastructure-linked debt – perhaps the most controversial aspect of China’s growing global presence. We show that Chinese “development” policy is currently undergoing a substantial reorganisation towards soft power initiatives in response to (geo)political backlashes arising from the previous implementation of the BRI and the risks such loans present to the Chinese economy. We characterise this as an attempt at “normalisation” of China as a “donor”, suggesting the power of global public opinion despite the “omni-channel politics” and other power resources the country can bring to bear.
The Role and Impact of China in Global Development

“China will continue to contribute to global development [...] We will open our arms to the people of other countries and welcome them aboard the express train of China’s development” (President Xi Jinping quoted in Xinhua 2017).

China is now the world’s largest economy based on purchasing power parity, or put more simply, what Chinese money can buy in China. Consequently, China has major impacts on the global economy and development. While the US economy is still about 50% larger than China’s when measured in dollars (Frankel, 2020), the gap between the two is closing fast thanks to generally much faster growth rates in the latter1. China produces and consumes more than half of the world’s steel, and more cement was poured there from 2011-2013 than was used in the entire 20th Century in the US (Swanson, 2015).

China’s economic rise created a strong imperative to source supplies of raw materials from elsewhere; often the Global South2. Chinese demand was the main driver of the global commodity super-cycle from 2003-2014, with some suggesting this “transformed development strategies in the Global South” (Jepson, 2020). However, the commodity price bust, exacerbated by the initial impacts of COVID-19 on prices, casts doubt on this (Author ref., 2020), as does the fact it did not induce structural transformation in Africa or South America (Author ref. et al., 2020). Nonetheless, the Chinese economy and government’s geo-economic strategy have had major impacts along a number of politico-economic axes.

Axes of Impact

1 Although the impact of COVID-19 is thought to have reduced this to around 2% in 2020, but it was much faster in 2021 (BBC 2021).
2 We use the term Global South in awareness that it means a great many different things to different people (see Haug et al., 2021). We agree that there is analytical need to move “beyond the single story” and to acknowledge the heterogeneity of Global Southern experiences (Trajber et al., 2021). Nonetheless, for the purpose of this article, we use the term Global South to collectively refer to countries that have reached a limited degree of industrialisation and that have remained at the periphery of the global economy.
Thinking systematically about the effects of China on global development, there are a variety of channels and axes of greater or lesser importance at different scales, from the local to the global macro-economic, that are worthy of consideration and subject to more or less state involvement and direction. These include:

1) Demand for natural resources and other goods and services in a generally rapidly growing Chinese economy.

2) Competitive displacement effects on other producers around the world in manufacturing in particular as a result of Chinese “commodity power” (Author ref., 2017b).

3) Employment creation and destruction and other economic impacts associated with outward foreign direct investment (FDI) from China and its attraction away from other potential locations (Alden, 2007).

4) China’s global influence on keeping interest rates lower than they would be otherwise as a result of the huge pool of savings in that country.

5) Impacts of Chinese infrastructure construction through the Belt and Road Initiative (BRI), including on sovereign debt.

6) Geographically uneven impacts on innovation as part of a “battle for the Global North” (Author ref., 2020) in the generation of new technologies and the expansion of associated standards, as expressed particularly through the China 2035 plan.

7) Perhaps less tangible or measurable governance impacts as a result of strategic couplings of interests between Chinese and Global South political elites.

8) The impacts of Chinese overseas development assistance and programmes of technical and educational cooperation.

9) The economic impacts of Chinese diasporas, in terms of job creation and displacement, trade and network facilitation and access to capital, imports and additional exports.
The economic and governance impacts of Chinese-led institutions and agreements such as the Asian Infrastructure Investment Bank (AIIB), BRICS Development Bank and the new Regional Comprehensive Economic Partnership which took effect in 2020. These are some of the multiple vectors and meta or macro-channels of Chinese impact. Not least important are impacts at the meso- and micro-levels which arise from the particular structure of the Chinese economy and the distinctive nature of its global engagements. For example, Chinese state-owned enterprises (SOEs) played a prominent role in China’s “going out” strategy from the late 1990s and continue to do so. These “dragon’s head” companies have distinct organizational structures, incentives and imperatives from purely privately-owned companies. While many of them have been commercialised, globally diversified SOE’s appear to adhere most closely to official guidance (Stone et al., 2022). Nonetheless China has become increasingly “fractured” internally and in its external relations following decades of state transformation marked by institutional fragmentation, decentralisation and internationalisation (Jones and Hameiri, 2022). However, the Chinese state is ultimately a creature of the Chinese Communist Party (CCP) which is tightly coordinated organizationally through the “red phone network”3 (Doshi, 2021).

SOEs often have different and longer-term perspectives on profitability, meaning that they may have alternative corporate strategies which Lee (2017) characterises as “encompassing accumulation”. However, the extent to which this holds varies by sector, context, and time (Author ref. et al., 2020), and Chinese firms and banks compete aggressively overseas (Duggan, 2020a). BRI created an abundance of such opportunities for a diverse Chinese SOEs (at various scales of governance) and private actors to pursue their economic interests within what Breslin called “bounded autonomy”, whereby “the state retains the ability to restrict this action and

3 Around three thousand members of the CCP have red phones on their desks which can only be used to call other members of the network.
redraw the boundaries if circumstances change” (2021: 21). This is evidenced in the case of Chinese state-owned oil companies in Sudan, where their operations initially caused embarrassment to the Chinese government and they were subsequently reined in (See Norris, 2016).

In terms of impacts, it is important to remember that globalisations, including varieties with Chinese characteristics, are locally constructed and mediated (Hart, 2002). While there may be tendencies, such as the impact of China on Africa and Latin America being largely deindustrialising (Kaplinsky and Messner, 2008; Jenkins, 2019), this is not an immutable fact as increased Chinese engagement in Ethiopia, was effectively incorporated to support industrial policy goals, for example (Author ref., 2017a). Nonetheless the developmental impact of Chinese-funded special economic zones in the country is still debated (Giannecchini and Taylor, 2018) and trade relations between China and Ethiopia are still characterised by dependence, as the latter country’s main exports to the former are “other oily seeds”, groundnuts and coffee (OEC, 2022).

Given the complexity of, and interactions between, different channels of impact of China on global development, coming to a neat overall economic assessment is difficult. China has certainly raised the overall rate of global economic growth and the structural transformation of its economy has undoubtedly been associated with massive poverty reduction internally. Its rise is perhaps also the most important driver of “global” poverty reduction in recent decades, although there is substantial controversy around how the World Bank measures this (Selwyn, 2017). Yet, this has also been associated with “detransformation” in other world regions, particularly Africa and South America (Gallagher, 2016: Jenkins, 2019). Parts of Asia are more heavily integrated into Chinese-centred global production networks and consequently developmental impacts have been more diverse there.
Even though the Chinese economy and overseas economic engagements have distinctive characteristics they have not altered the overall dynamics and contradictions related to the global dialectic of development/underdevelopment given their fundamentally capitalist nature. In particular, sovereign debt has become a major point of contention in the context of China’s central material and ideational vehicle for global development - the BRI - and has, in some parts of the Global South, led to questioning of the mutual benefits of China as a development partner.

In this paper, we argue that a combination of factors domestic to China, as well as international dynamics relating to geopolitical competition and Global South debt levels, among others, have led to an inflection point for the BRI and China’s role in international development more broadly. We contend that the contradictions associated with BRI-linked lending from 2013-2017 have engendered a major – ongoing – reorientation in China’s modes of engagement with the Global South. In particular, we point to the decreasing importance of the BRI as an umbrella project for firm internationalization (though not as a ‘brand’ for China’s outward engagement), the scaling back of loans, and the emphasizing of ideational aspects and ‘soft’ power via, for example, vaccine donations and ‘mainstreamed’ development cooperation – as examples of what we term development mainstreaming, or the alignment of China more closely to the practices of other traditional ‘donors’. In essence, China is seeking to reinvent itself as a partner for developing countries, for instance via the emphasis on the issue of trade imbalances and the subsequent opening of certain domestic markets (Wigmore and Ryder, 2022). We characterise this as an attempt at “normalisation” of China as a “donor”, suggesting both changing domestic dynamics and the power of global public opinion, despite the multi or “omni-channel politics” (Nederven Pieterse, 2018 cited in Mohan, 2021) and other power resources the country can bring to bear.
The paper proceeds as follows. The next section periodizes China’s politico-economic internationalization via an analysis of the evolution of the main drivers that affect the country’s foreign economic policy. The following section then delves into the issue of debt and illustrates how the contradictions of the BRI period have led to both significant backlash and the aforementioned reorientation. The final section then details the strategies undertaken to maintain the narrative of ‘win-win cooperation’.

Donorship and/or Dependency on China?

As Jones and Hameiri (2020) note, China’s growth model following the Mao era (1949 – 1976) was produced by debt-fuelled infrastructure investment and the formation of export-oriented manufacturing clusters. These clusters generated surpluses which repaid the initial debt and allowed the cycle to repeat. However, throughout the 2000’s, and especially in the early 2010’s, following China’s massive stimulus that was induced by the North Atlantic Financial Crisis, the model began suffering from a major slump in profitability (Zhang, 2017; Taylor and Zajontz, 2020).

To resolve the crisis, the BRI (which began in 2013 but builds on strategies developed under previous initiatives like ‘Develop the West’ - see Summers [2016]) was instituted as a broad policy ‘umbrella’ through which Chinese firms, especially the country’s SOEs could find new markets overseas, consequently reproducing and expanding Chinese-based capital and power. Broadly, Chinese firm transnationalization under the BRI umbrella works on two levels; at the macro level, the state attempts to create capital allocation mechanisms which serve its overarching geopolitical/geoeconomic objectives. At this level, the BRI is joined by sub-initiatives like the $60 billion China-Pakistan Economic Corridor (CPEC), and the $60 billion package of loans, grants, and export credits announced following the 2015 and 2018 fora on
China Africa Cooperation (FOCAC), though commitments were reduced at the 2021 iteration of the event (Thomas, 2021). These frameworks provide loose guidance and opportunities for firms but do not direct their day-to-day operations. Meanwhile, the main drivers at the project level are the disaggregated interests of SOEs, both central and provincial, that use access to state-backed funding to pursue their own broad interests, although rarely in complete contradiction to those of the CCP (Doshi, 2021).

These policies and supporting systems produced huge outflows of capital and led to the construction of a considerable number of debt-financed development projects throughout the Global South in recent years. Yet as Flint and Zhu (2019, p. 95) explain, the political engagement underpinning the expansion of Chinese capital means that the BRI, even if understood largely as a project of economic integration (as in the Chinese scholarship), cannot be separated from geopolitical consequences. Indeed, geopolitics is a constitutive element within the BRI given that the initiative is one that influences politics across multiple scales. BRI is thus a project that ‘has the potential to be transformative and [simultaneously] create possibilities for global cooperation and conflict’ (Flint and Zhou, 2019: 95). It should not be a surprise then that the BRI’s contradictions and missteps are therefore instrumentalized against China by competitors in the Global North (see below).

At project level, examples such as Kenya’s Standard Gauge Railway (SGR), Pakistan’s Gwadar Port, Kazakhstan’s Khorgos Gateway, and the myriad hydroelectric dams being built by Chinese firms throughout South and Southeast Asia, at once serve the interests of host country elites (varied though these may be), spatially fix Chinese capital, tie recipient countries to Sino-centric production systems and standards and expand the influence of the Chinese state. Yet developments within China have begun to have major effects on the availability of BRI capital. The US-China trade war, for instance, significantly increased uncertainty across China’s financial sector. As BRI-linked lending draws on China’s foreign currency reserves,
threats to these decelerate outward flows (Kenderdine, 2021). Aside from this uncertainty, the ongoing shift toward domestic consumption and investment, as opposed to export-oriented growth (though not fully displacing the latter) has accelerated in the last few years, partly as a result of COVID-19 and rising geopolitical tensions. In May of 2020, China’s politburo unveiled its dual circulation strategy (Tang, 2020) which places significant emphasis on growing China’s domestic market. Related initiatives like ‘common prosperity’ – which aims to decrease inequality via fiscal transfers and incentivized (or forced) corporate donations – have also emerged, and created further uncertainty in the financial system vis-à-vis future FDI within the country (Pettis, 2021). Yet China finds itself unable to fully abandon its former model or the BRI (enshrined in the constitution since 2017) as the country struggles with overcapacity in heavy industries (Author ref., 2021). BRI must thus continue, even in a diminished or transformed capacity, as it has become the ‘brand’ for Chinese overseas lending and service provision.

Besides these domestic developments, there have been external factors that in recent years that have engendered significant changes in China’s engagement with the Global South. Unsustainable levels of debt in some BRI countries have revealed long-term spatio-temporal contradictions inherent to the BRI and have resulted in (geo)political controversies that have also fed into a reorientation in Beijing’s development approach. It is this issue that we turn to next.

**The Debt Backlash**

Through the BRI, these Chinese state has sought to construct and consolidate an image of China as a pragmatic development partner. However, this image has tarnished in recent years. For instance, as per a recent Afrobarometer poll of 30 African countries, 57% of respondents who are aware of Chinese loans to their country express concerns regarding debt levels. Likewise,
while perceptions of China’s economic engagements on the continent remain positive, 17 out of 30 countries polled viewed the country more negatively in November 2021 (when the poll was conducted) than they did in 2014 (Sanny and Selormey, 2021). One reason for this has been the narrative around China’s alleged ‘debt trap diplomacy’ (Chellany, 2017) which has been politically instrumentalised all the way to the White House (see Bolton, 2018). Others reject the concept of a politicised and deliberate “debt trap”, yet enthusiastic assessments that merely suggest that ‘Chinese unconditional financing has provided increased policy space to developing countries’ (Singh 2020: 3) fall short of sufficiently problematising the structural function of debt within global capitalism (see Zajontz, 2021) and can thus provide an incomplete view of the issue.

Just as capital is, debt is first and foremost a social relation; one marked by asymmetrical material relations and, hence, power differentials between the debtor and the lender. As Di Muzio and Robbins (2016: 7) argue in *Debt as Power*, ‘debt within capitalist modernity is a social technology of power […]. In capitalism, the prevailing logic is that of differential accumulation, and given that debt instruments far outweigh equity instruments, we can safely claim that interest-bearing debt is the primary way in which economic inequality is generated as more money is redistributed to creditors’. It is this asymmetric relationship and resultant power differentials – not the politicised discourses about China’s ‘debt trap’, as flawed as they may be – that have made it increasingly difficult for China to sustain official narratives that suggest the horizontality or equality of relations between China and other developing world regions, notwithstanding the often more long-term or ‘patient capital’ disbursed by Chinese policy banks (Kaplan, 2021).

Waning debt sustainability in several key BRI participant states, the questionable economic viability of some large-scale infrastructure projects and frequent corruption allegations have
seriously undermined the legitimacy of Global China. Likewise, the COVID-19-induced global economic contraction also laid bare that Chinese-owned debt has crucial politico-economic repercussions for both borrowers and lenders.

One oft-invoked example of unsustainable borrowing under the BRI is the case of Sri Lanka, and in particular, the Hambantota port, which has failed to create projected revenues but instead incurred $300m in losses (Sum, 2019: 545). Yet project specifics are at times misrepresented in mainstream analyses (see Brautigam 2020a). Indeed, the Sri Lankan government has also extensively borrowed from non-Chinese sources and officials have insisted that the government had signed the loan for the port without pressure from Beijing. As Jones and Hameiri point out, ‘China’s engagement was shaped by profit-seeking SOEs. Colombo’s application for Chinese funding was strongly encouraged by China Harbour Engineering Group (CHEG)’, which facilitated a $307 million commercial buyer’s credit from China Exim Bank for the first project phase (Jones & Hameiri, 2020: 14; see Brautigam, 2020a). Importantly, the privatisation of Hambantota port is not the result of a debt-for-equity swap, as often falsely reported. After a change in government, Sri Lanka rather leased the port for 99 years to China Merchants Port Holdings by means of a majority stake (70 per cent) in a joint venture with Sri Lanka’s port authority for an upfront payment of $1.12bn. The deal aimed at raising foreign exchange to be able to service its debt which had accumulated to $46.6bn – or 57 per cent of its gross domestic product (GDP) – by the end of 2016 (Brautigam, 2020a). However partly as a result of COVID-19 and its inability to service its debts, Sri Lanka experienced an economic crisis in 2022 (Ishak, 2022).

Fears of debt-for-equity swaps as a result of defaults on Chinese loans might also be exaggerated, considering that Chinese lenders, thus far, have proven ready to reschedule debt repayments, even if only on an ad hoc basis and usually following lengthy bilateral negotiations (Gardner et al., 2020; Kratz et al., 2020). In some debt renegotiations China has actually
increased the value of its portfolio (Gardner et al., 2020). Nonetheless, the case of Hambantota port and the takeover of the Laotian electrical grid by a Chinese company reveal how growing indebtedness to China (and other creditors) reduces policy space and, by extension, the degree of “agency” of low- and middle-income countries.

While lending amounts and practices are opaque (Gelpern et al, 2021), China has reduced the potential impacts of defaults through collateralisation, credit insurance and third party repayment guarantees. Eighty three per cent of Chinese state-owned collateralised lending goes to countries in the bottom quartile of fiduciary risk (Malik et al, 2021). However calling in this collateral would be a last resort given the potential for further popular backlash against China – a further example of how geopolitical concerns sit at the core of the BRI.

The precise ways, however, in which China impacts development are however locally mediated, negotiated and constituted (Hart, 2002). For example, there is evidence that, in some countries, political elites have acted irresponsibly by signing finance agreements with Chinese lenders without due diligence and long-term debt management plans (see Author ref. et al., 2021). In Zambia, for instance, ‘easy money’ from Chinese policy-banks for road and other infrastructure projects, alongside reckless borrowing on private capital markets, has resulted in unsustainable levels of external debt. The country’s overambitious, debt-financed ‘development-through-infrastructure’ agenda was rendered possible by the extensive disbursement of Chinese loans, some of which were for overpriced projects negotiated in ‘not so public’ procurement processes. Zambia’s debt-to-GDP ratio surpassed 100 per cent in 2020, up from 18.9 per cent a decade earlier (Author B ref., 2020). In November 2020, the Treasury started to default on Eurobond repayments (Williams, 2020). A recent report confirms what Zambian observers suspected for years, namely that the Zambian state and its parastatals owe Chinese lenders almost double the amount that had been declared by the previous government (Brautigam and Wang 2021). The new Zambian administration, voted into power in August
2021, now faces the challenging task of renegotiating the country’s debt with a diverse set of lenders and preparing the country for an International Monetary Fund bailout package.

The Chinese government has long realised that the debt it owns bears both significant economic and political risks (McMahon, 2018). The Chinese economy appears robust for the moment, notwithstanding the failure of the massive property company Evergrande in 2021 and its effects on the country’s real estate market. It also seems to have recovered quickly from the COVID-19 shock to the global economy, but a domino effect of debt defaults in major BRI participant countries would not leave the Chinese economy unscathed. Even before the pandemic, the Chinese government had started to move away from highly risky lending practices of its policy banks. Internally, red flags regarding the viability of ongoing BRI projects led to a relative restructuring of the public finance architecture. As Kenderdine (2020) explains, China does not have a ‘functioning country risk model with which to gauge the operations of policy bank lending… leav[ing] policy banks open to the possibilities of huge default losses’. Likewise, Author ref. (2021) notes that more stringent regulations regarding outward investments and loans were put in place starting in 2017. These regulations arose from a combination of internal and external factors. In November 2017, for instance, the China Banking Regulatory Commission issued its first-ever regulations to improve the risk management of its policy banks (Hurley et al., 2019: 157).

Overall, China’s overseas lending has slowed down significantly in recent years, with some reports suggesting that new loan financing from China Exim Bank and China Development Bank fell from $75bn in 2016 to just $4bn in 2019 (Wheatley and Kynge, 2020). In the African context, for example, new lending fell by 93 percent from 2016 to 2020 (See Figure 1). To keep up demand for Chinese enterprises abroad, not least in the context of the BRI, there has been a gradual shift in Chinese development finance discernible – from public debt finance towards private project finance (Zajontz, 2020). This allows for the continuation of the ‘moving
out’ of Chinese surplus capital and material without the risk of sovereign borrowers not being able to pay back the loans.

![New Chinese Loans to African Countries](image)

*Figure 1. New Chinese Loans to African Countries (Source: Boston University Global Development Policy Center, 2022).*

Politically, the Chinese government has also engaged in ‘damage control’ that is aimed at maintaining the narrative of ‘win-win cooperation’ (*hèzuò gòng yíng*, 合作共赢) with the so-called developing world. Key among such political efforts concern the widening and ‘normalisation’ of Beijing’s global development agenda. It is obvious that the Chinese state has started to concentrate resources towards more ideational power projection in its engagement with the Global South, while simultaneously shifting material resources from loan financing towards targeted investment (for instance in the food processing industry), trade promotion and capacity building.

**Developing hegemony by soft-powering development**
In order to continue to shape global development in ways which enhance Sino-centric production and trade networks and thus are beneficial to the CCP, the Chinese state not only has to constantly address contradictions that arise from extractivist inter-post-colonial relations with other states that have suffered from Western imperialism, but also in the long run, establish hegemony in the Gramscian sense internationally. This is not to say that China is likely to take on the US-led neoliberal order in what Gramsci called a “war of movement” (Cox 1996[1983]), as Russia has in Ukraine. Indeed, China has hitherto remained a ‘status quo power’ which has pragmatically engaged with – and profited from – existing norms and institutions in the global political economy (see Taylor and Cheng 2022; Taylor 2017). In fact, during Trump’s populist-protectionist reign in the US and more recently in response to pandemic-induced disturbances to the free movement of capital and goods, Xi Jinping has vocally insisted in upholding global free trade and markets (Ng and Zhou, 2020). China’s increasingly dominant position in the global economy and the country’s disproportionate economic gains however will require consent from subaltern countries and other world regions. As has been pointed out, Chinese leadership in the global realm depends on followership and “the inclination to follow often appears to be dependent on whether the leading power incorporates elements of the potential follower’s interests and positions into its own agenda” (Breslin 2021: 27).

Neo-Gramscian analytical sensitivity towards the dialectical relationship between materialist and ideational dimensions of global power are useful to understand Chinese efforts to bolster its role and influence in global development, including recent efforts to strengthen the country’s soft power especially in the Global South. As Cox put it,

to become hegemonic, a state would have to found and protect a world order which was universal in conception, i.e., not an order in which one state directly exploits others but an order which most other states (or at least those within reach of the hegemony) could find compatible with their interests (Cox 1996[1983]: 136).
Indeed, the official discourse of China’s leadership repeats in a mantra-like manner that “China will never pursue hegemony or expansion, nor will it seek to create spheres of influence, no matter how the international situation changes, and how China develops itself” (State Council 2019). Yet, the CCP under Xi’s leadership jettisoned the country’s self-prescribed taoguang yanghui (韬光养晦) philosophy of keeping a low profile in the post-Tiananmen era (see Breslin 2021: 95-96). “Befitting” its role as a global economic powerhouse, the Chinese state has also increasingly claimed political leadership in global affairs. In Xi’s own words, the country’s “major country diplomacy with Chinese characteristics aims to foster a new type of international relations and build a community with a shared future for mankind” (quoted in Breslin 2021: 106). China has started to actively shape both the material conditions and the norms and institutions of this ‘Community of Common Destiny for Humankind’ (renlei mingyun gongtongti, 人类命运共同体).

Thereby, a “persistent emphasis on soft power” (Repnikova 2022: 1) has been discernible, with President Xi telling Chinese policymakers in 2014 that there was a need to increase China’s soft power (quoted in Ministry of Foreign Affairs of the People’s Republic of China 2014 quoted in Ho, 2020). In recent years, soft power instruments, some of which we will discuss below, have grown in importance in Chinese foreign policy and in China’s relations with the Global South in particular.

The concept of soft power has been subject to sustained debate in academic and policy-making circles in China, with ruan shili (软实力) eventually emerging as the agreed translation (Breslin 2021: 69). There is no consensus however on what Chinese soft power might entail, with different Chinese authors and leaders arguing for different aspects of Chinese culture, politics and developmental model as essential for Chinese soft power projection abroad.
Interestingly, Repnikova (2022) has found some common ground in most Chinese deliberations on soft power which are partly antithetical to the original formulation as “one country gets other countries to want what it wants”, contrasting it to hard power by which a country is “ordering others to do what it wants” (Nye 1990: 166). This common denominator in Chinese interpretations of soft power is that hard and soft power are commonly merged, whereby “material resources and motivations tend to intermingle with political and cultural ones, and the target audience includes both domestic and international publics” (Repnikova 2022: 1). In our view, Chinese soft and hard power discourse and practice in the global development realm is a concrete articulation of Gramsci’s reading of power as a “necessary combination of consent and coercion” (Cox 1996[1983]: 127), with the latter one, the metaphorical “iron fist”, preferably remaining covered by the metaphorical “velvet glove” (Gramsci 1971: xxxvi) in China’s quest for (global) hegemony.

Recent literature has drawn attention to the impact of China on global development through discourses and “relational productive power” (Benabdallah, 2019), which shapes actors’ preferences and values in ways favourable to Chinese interests and development. For example, Benabdallah (2019), while not disputing the importance of material dimensions of power, argues that ideational aspects are also hugely important. She shows that whereas Chinese state loans to Africa have decreased in recent years, the scale of scholarships for African students has increased substantially bespeaking a reorientation towards a greater emphasis on relational productive power, where actors partly co-produce each other in certain ways by shaping values, interests and actions. This is in line with Breslin’s (2021: 17) assessment: “By distinguishing between the projection (which the Chinese state can try to control) and the reception (which it can’t), we are reminded that while material power is something that is generated from within, ideational power depends on external perceptions and understandings”.

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As part of this soft power push – which increasingly complements China’s engagement with the Global South – the Chinese government has, for instance, put increasing emphasis on strengthening ‘people-to-people’ exchange, also understood as engagement beyond the elite level. In a 2021 White Paper titled ‘China and Africa in the New Era: A Partnership of Equals’, the Chinese government quotes a saying that suggest that “State-to-state relations thrive when there is friendship between the peoples” (Chinese State Council 2021). The White Paper as well as the Forum on China-Africa Cooperation Dakar Action Plan (2022-2024) is consequently filled with pledges to further intensify people-to-people exchange, ranging from cultural exchange, tourism, cooperation in the field of press and media as well as youth and women to sub-national engagements (see FOCAC 2021). Strengthening cultural and educational exchanges have thus become main soft power instruments. Following two decades of efforts at internationalising China’s education system, taking inspiration particularly from Japan and Western countries, Repnikova (2022: 31) argues that more recently the official goal has shifted towards “establishing China as a major center of knowledge production and as an attractive international destination for education and training”. Educational and professional training offers are not least tailored for students, practitioners and officials from the so-called Global South. In 2020, the Chinese government, for instance, offered 12,000 scholarships specifically for African students, by far outnumbering scholarships from the UK government (1,100), Germany and France (about 600 each) and the EU (300) (Financial Times, 2020a). Overall, the number of international students in China grew from 1,236 in 1978 to 492,200 in 2018. The number of African students in China grew from 2,186 in 2003 to 81,562 in 2018 (Repnikova 2022: 31).

Equally, the global dissemination of Mandarin and Chinese culture has been integral to China’s broader ‘development mission’. As of June 2020, there were 541 Confucius Institutes (CI) and 1,170 Confucius Classrooms in 162 countries (Repnikova 2022: 11). Africa’s first CI opened
in Nairobi in 2005. By November 2020, Africa already hosted 61 such institutes and another 48 Confucius Classrooms (Personal electronic communication with key informant, November 2020). The global web of CIs allows for increased ‘people to people’ diplomacy, and for the construction of a ‘Chinese narrative’ regarding globalization and development. As one CI representative put it, “[China] wants to be understood on its own terms” (Interview with key informant, October 2017).

China’s own development trajectory has equally become a main source of China’s ‘soft power’ projection (Repnikova 2022: 6). Aimed at fostering Chinese hegemony across the Global South, the Chinese state has positioned the country as “the champion of the developing world” (Duggan, 2020b). Breslin (2021: 23-34) argues that under President Xi “[t]here is also now a greater appetite for arguing that there is something special about China’s development experience that make it something that others should learn from”. While the contours of the ‘China Model’ (zhongguo moshi, 中国模式) have remained debated, contested and evolving (Ferchen, 2013), the Chinese state has used multilateral fora, such as FOCAC and the BRI Forum, as well as bilateral party-to-party and official exchanges with states in the Global South to promote the success of China’s combination of state-led flexible and experimental economic development, paired with tight political control of the society – a counter-hegemonic conception of state-economy-society relations.

The growing importance of relational productive power also partly results from a reorientation towards more “malleable” regions such as Europe and the ‘Middle East’ in Chinese foreign policy, as particularly evidenced through BRI, and from pragmatic reactions to concerns over debt sustainability, and the political backlash against this rather than bespeaking the importance of relationality per se. As concerns about alleged Chinese “debt trap diplomacy” have mounted,

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4 However, many universities in the Global North have recently closed their CI’s in response to concerns about academic freedom.
Chinese state actors have adapted modalities of engagement and concentrated efforts on strengthening narratives about ‘mutually beneficial’ global development under benign Chinese leadership. Increased emphasis has also been placed on other actors and scales of engagement giving rise to an “omni-channel politics”.

China released a new White Paper on International Development Cooperation in January 2021 according to which “[p]romoting a global community of shared future is the mission of China’s international development cooperation” (State Council Information Office 2021) – a Chinese hegemony linked to the historical idea of tianxia (天下, all under heaven). However, its major platform is still to be BRI. Nonetheless for the first time “China’s foreign aid has been partially framed in a non-Chinese framework”, citing the United Nations 2030 Agenda 16 times for example (UNDP, 2021). Thematically, Chinese development cooperation is undergoing a process of mainstreaming, as areas like poverty reduction, green development and gender feature very prominently in the White Paper and recent proceedings from Chinese-led multilateral fora, such as the BRI Forum and FOCAC. Importantly, following political backlash from the previous over-reliance on debt-financed (large-scale) infrastructure development, Chinese development cooperation has recently shifted emphasis to trade facilitation and industrialisation in the Global South which is expected to be spurred by targeted Chinese investment, know-how transfer and capacity building in partner countries (see FOCAC, 2021).

The Chinese government has, for instance, stepped up (declaratory) efforts to remedy negative repercussions that flow from trade imbalances tilted in China’s favour that have been a reality for many of China’s trade partners in the Global South. At the most recent meeting of the Association of South East Asian Nations (ASEAN), President Xi announced and opening of the Chinese market by doubling agricultural imports from other member states to the tune of $150bn over the next five years (Global Times, 2021). Similarly, the Dakar Action Plan, the
central proceeding of the most recent FOCAC gathering in Senegal, pledges to boost African agricultural exports to China and foresees the injection of $10bn into trade facilitating measures, such as a “pioneering zone for in-depth China-Africa trade and economic cooperation” and the establishment of e-commerce hubs (FOCAC, 2021). While such measures were previously part of the Chinese ‘aid canon’ already, the recent FOCAC action plan is certainly the most comprehensive yet, enhancing cooperation in sectors such as health, agriculture, poverty reduction, green development and peace and security (FOCAC, 2021). The reshuffling of priorities is an important departure and perhaps recognition that to achieve hegemony requires the consent of the governed and not just the governors.

The hoarding of vaccines by Western countries has also offered China a strategic, ideational opportunity in the Global South, which the government has started exploiting by diplomatically facilitating the roll-out of Chinese vaccines in low- and middle-income countries. As of May 2022, 46 African countries had received Chinese vaccines, with 25 of the 125 million doses distributed coming in the form of donations (Bridge Consulting, 2022). Moreover at the most recent FOCAC, President Xi Jinping promised to deliver 1 billion additional vaccines to the continent alongside other health diplomacy initiatives (Mcallister and Daly, 2021). For Beijing, the provision of a vaccine that is affordable and does not pose unsurmountable logistical challenges in developing world regions is not only a humanitarian question but also an opportunity to flex its ‘soft power muscle’, as it makes the failure of Western countries to do so at anything approaching sufficient scale blatantly apparent. This serves the materialist motives of the CCP to maintain its monopoly on power and a conducive international environment to facilitate this.

Recent attempts at ‘softpowering’ Chinese development cooperation are thus aimed at rectifying governance failures in China’s hitherto development ‘aid’ regime, particularly those that have arisen from unsustainable loan financing in the context of many underperforming
BRI projects, that caused damage to the ‘win-win cooperation’ narrative. In essence, the Chinese government is eager to ‘prove’ that the China Model actually works for other countries and world regions, too. Recent political emphasis on promoting targeted Chinese investments in the Global South, trade facilitation and capacity building across various sectors are to be understood to address persistent and, in fact, widening imbalances in the economic relationship between China and the Global South.

Conclusion

As described earlier, China has multifold impacts on global development. We have chosen to focus on Chinese loans to the Global South as one of the most salient and topical issues in this area as a way to explicate the reorientation of that country’s global development approach. As noted earlier, it is not possible to undertake a comprehensive assessment of the impacts of China on global development in a short paper but we draw some conclusions from the above discussion.

The structural transformation of China’s economy since the late 1970s has been associated with poverty reduction at an aggregate level globally. However there have been many channels of impact of this and it has not been an unmitigated good in terms of its development impact. For example the competitive displacement pressure which this has put on manufacturers in other parts of the Global South has been implicated in poverty production and has been carbon intensive. Additionally, the BRI has had mixed environmental, social, political and economic impacts across different scales, generating extensive resistance in some regions as a result of its contradictions (Patey, 2020: Author ref., 2022).

One major contradiction has been unsustainable borrowing from Chinese (and other) financial institutions in several partner countries. Exacerbated by the global recession associated with COVID, China’s extensive development finance has become a major political and economic
liability. Negative effects within the Global South have also been made highly visible given that the Chinese governments claims that it operates on the basis of respect for the principle of sovereign equality and that its development aid has ‘no strings attached’. Overall then, we argue that a reconfiguration is currently occurring. The BRI is likely to continue, although in scaled-down form, with improved economic risk control and a shift in its financial governance – from public debt funding to public-private partnerships and an enhanced emphasis on the people-to-people exchange axis.

Looking forward, it also appears likely that development cooperation will become an increasingly important realm of geopolitical competition between China and the West. The Biden administration has clearly signalled that it is no longer ready to leave the field, especially the field of infrastructure development, to China. The G7 Build Back Better World (B3W) initiative is a strategic response to the BRI and explicitly framed as a more sustainable and equitable global infrastructure initiative with its focus on focus on climate, health, digitalisation and gender equality. The US and the other G7 members are emphasising the B3W’s purported competitive advantages over the BRI, notably transparency, local project ownership, high quality standards and sustainable project finance (White House, 2021). Yet B3W’s slow roll out, as well as the failure of the domestic ‘Build Back Better’ initiative have sown doubts as to whether tangible results will emerge. The European Union for its part has joined the surge in competitive developmentalisms (with different characteristics) vis-à-vis the Global South by promising sustainable infrastructure development under the umbrella of the Global Gateway, thereby explicitly emphasising its supposed ‘normative power’ in contradistinction to allegedly ‘bad governance’ practices in the context of BRI (European Commission, 2021). The realisation on the part of Western governments – though late – of the strategic importance of aid to maintain Western influence in ongoing and upcoming processes of infrastructuring and
greening the Global South further increases the pressure on Beijing to address governance deficits or failures and their political repercussions related to Global China’s “aid” regime.

The recent Chinese soft power initiatives we’ve detailed are perhaps too early to assess in terms of their impacts. Indeed, like many other policy initiatives in the post-reform era they are experimental and adaptive. Much will depend on whether they are perceived to serve the interest of recipient societies. The impact of China on global development is rapidly evolving and multi-directional, which seems set to remain the case.

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