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Make development great again? Accumulation regimes, spaces of sovereign exception and the elite development paradigm of China's Belt and Road Initiative

Abstract: This article studies what I describe as “state-coordinated investment partnerships,” an investment modality central to the deployment of China’s Belt and Road Initiative (BRI). These partnerships bring together state and business actors to export overcapacity and address infrastructural demands in underdeveloped markets. To do so, they require accumulation and sovereignty regimes that mirror, in contingent ways, similar social arrangements within China. The superposition of such regimes and the interests and social imaginaries of local actors produces forms of uneven and combined development and shapes the contours of the BRI’s emerging developmental and geoeconomic footprints. The BRI exports also an elite development paradigm which promotes urbanization, connectivity and economic growth over participatory approaches. This paradigm projects a depoliticized version of China’s present into the BRI’s future to justify social and environmental dislocations, and shields Chinese firms from civil society scrutiny. My analysis rejects this elite perspective and favors a labor-centric approach that unearths the social foundations of the BRI. From this perspective, despite relevant differences in format, the BRI’s quintessential investment modality is closely aligned to a contemporary global current of public-private partnerships endeavored to mobilize public resources and state power for the expansion of capitalist social relations.

Keywords: China, One Belt One Road, South-South relations, development, foreign direct investment

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“Urbanization has always been (...) a class phenomenon, since surpluses are extracted from somewhere and from somebody, while the control over their disbursement typically lies in a few hands.”¹

Introduction

In times of austerity and microfinance, it may seem difficult to believe that a few decades ago, development used to be “great.” “Great,” of course, does not mean “better.” There are few reasons to long for a past of nationalist schemes that embraced growth and industrialization above the rights of many, reproducing severe gender and racial inequalities. There is also much to be praised about the human and environmental (rather than national) development focus that underpins contemporary initiatives as the Sustainable Development Goals. Back in the day, however, development was “great,” in the sense that political elites around the world were often committed to deliver “legible” forms of national modernization based on large infrastructural works and industrial transformation. The period expanding from the Great Depression of the 1930s and through what sometimes has been described as the “Golden Age of Capitalism,” running from the 1950s to the mid-1970s, was emblematic of such commitment.²

This age of national development saw the New Deal revitalize the American economy with major public works and social programs to upend economic inequalities and, indeed, to save capitalism. The USSR transitioned, within decades, from a mostly agrarian economy into one able to claim victories in the space race with the United States. Japan surprised the world as it rose from its ashes in the post-WWII period as a leading technological power. South Korea achieved something similar, developing, first, an internationally competitive steel industry and, later, an array of high-tech sectors. In the realm of foreign development assistance, large infrastructural projects and industrial transformation were also central to many agendas. The Marshall Plan sought to strategically rebuild and modernize Europe on a large scale, while diffusing liberal and pro-market norms.³ On the other side of the Iron Curtain, the USSR provided unprecedented assistance for industrial and military development to countries like China, which went from having two hundred trained geologists in 1949 to aiming to overcome U.S. steel production by the end of the 1950s, albeit with disastrous consequences.⁴ Years later, Japan would commit its aid efforts in the Asian region to infrastructure

1 Harvey (2008), 24.

2 Gonzalez-Vicente and Carroll (2017).

3 Agnew and Entrikin (2004).

4 Wang (1988).

development and productive capacity in order to create markets for its national business champions.⁵ Likewise, the multilateral efforts of the World Bank and other regional development banks focused also on economic growth through infrastructure upgrading.⁶ In sum, for a period that ran until the 1980s, infrastructural and industrial transformation were the hard currency of development policy.

A confluence of factors would call these agendas into question. Firstly, the debt crisis of the 1980s pushed many developing nations into the hands of the IMF, which implemented structural adjustment programs of market liberalization and macroeconomic “stability” under the firm belief that international markets, and not states, held the key to improved economic performances. Secondly, the inability of such policies to bring about positive developmental outcomes in regions like Latin America or Africa discredited the focus of development assistance, with the World Bank turning its attention to poverty alleviation by the 1990s. In general terms, the post-Washington Consensus reoriented development efforts towards social and human development goals targeting the poorest of the poor, although still emphasizing inclusion through markets and promoting macroeconomic stability.⁷ In the first half of the 1990s, 53 percent of all foreign aid in Africa went to infrastructure and productive sectors, a number that had fallen to 31 percent by 2000–2004.⁸ Aid spending on social sectors such as healthcare and education went from 33 to 60 percent during the same period.⁹ Finally, the pressures of an increasingly consolidated world market crippled policy makers’ capacity for meaningful economic intervention. This resulted in states that lost the necessary leverage to discipline capital, and which turned their focus to the promotion of good business environments and the socialization of business risks in order to attract mobile capital flows.¹⁰

As is well known, China navigated these global transformations in unorthodox ways. Starting in the late 1970s, the country’s political leadership began to embrace markets. Gradually, it would also elevate the goal of engineering good environments for transnational accumulation to a pivotal position in a relentless quest for economic growth—with improved infrastructures and increasingly educated human capital, for example, but also with processes of dispossession and labor and environmental exploitation under the auspices of an authoritarian state apparatus. At the same time, however, the Chinese government omitted the general shift towards “soft” forms of development and held on to urbanization and

5 Kato et al. (2016).

6 World Bank (2007).

7 Carroll (2010).

8 Glennie (2008), 20.

9 Ibid.

10 Carroll et al. (2019).

connectivity as the backbone of national development, the latter seen as an endeavor that would—in the eyes of the official ideology—trickle down, benefitting a majority of the population. Today, as the Chinese government and businesses look to the world through the lenses of the Belt and Road Initiative (BRI), they seem committed to exporting the same infrastructural ideology. As such, the BRI is, in essence, a pledge to make development “great” again.

The BRI was announced in 2013 and soon became an umbrella term that encompassed many of China’s external economic activities. The Chinese government has committed an investment of up to \$150 billion USD per year (reliable estimates put the number at around \$70 billion USD since the BRI’s inception and up to 2018)¹¹ in projects to upgrade international “connectivity,” develop “networks” of economic interaction, and promote “corridors” of trade and investment. The initiative has had a warm reception in parts of the developing world, reanimating national development imaginaries and allowing central government elites to “see like a state”¹² and deliver legible developmental outcomes in the form of infrastructural transformation. Much of the BRI’s initial appeal lies in the re-branding of China’s multiple economic interactions under a unitary geopolitical and developmental narrative thread that bolsters the leadership and vision of President Xi Jinping.¹³ While public pronouncements during the Going Out era reiterated the potential pitfalls in trying to emulate China’s developmental trajectory, Chinese officials now proudly promote the BRI as a blueprint for global development and as a “great milestone in the development of human civilization.”¹⁴ This narrative is based on an elite-centric temporal logic that justifies social and environmental engineering on a vast scale with futuristic expectations to materialize decades from now.¹⁵ However, the most apparent and immediate outcome of the BRI is the use of surplus value, public assets, and state power to create profitable investment opportunities for Chinese businesses.

Rejecting the BRI’s elite-centric narrative, I propose, instead, to study the initiative from a labor-centric approach that favors a bottom-up material enquiry of current processes and social relations, putting issues of social justice at the center of the debate.¹⁶ To illustrate this material dimension, the essay focuses on an investment modality that has enabled the BRI’s infrastructural thrust, which I

11 Eder (2018).

12 Scott (1998).

13 Varrall (2018).

14 *Global Times*, 28 August 2018, “Belt and Road envisions great win-win global connectivity,” available at <http://www.globaltimes.cn/content/1117401.shtml>.

15 cf. Power (2012).

16 Selwyn (2016).

call “state-coordinated investment partnerships.” These partnerships involve at least three entities: state diplomacy that facilitates project negotiations in the first place, a policy bank that finances the project, and a company that completes it. Each of these entities operates under a market-based, profit-making rationale, although the priorities may differ, ranging from what Ching Kwan Lee has defined as “encompassing accumulation” rationales and which tend to reflect the overall strategy drafted by policy banks and the Ministry of Commerce (MOFCOM), to the shorter-term gains looked after by construction companies.¹⁷ The advantage of referring to this investment modality as “state-coordinated investments partnerships,” as opposed to “package deals” or “investment packages,” is that it allows us precisely to *unpack* the logics of accumulation underpinning the participation of different Chinese actors in such deals. As I will explain, state-coordinated investment partnerships promote accumulation and sovereignty regimes that, in contingent ways, allow for the transnationalization of features of the Chinese political economy into new “spatial fixes”—a term popularized by David Harvey to describe capitalism’s tendency to expand geographically in order to temporarily resolve crises of overaccumulation.¹⁸ In this way, the BRI heightens marketization and promotes a Chinese form of public-private partnerships that is quite in tune with other conventional efforts to mobilize public resources for transnational accumulation.¹⁹

The article proceeds as follows. The first section discusses the political economy of business development in contemporary China. In doing so, it examines the strategies of accumulation adopted by a variety of Chinese state and private actors as they look for international spatial fixes to tackle domestic overcapacity. The second section focuses on state-coordinated investment partnerships and discusses the accumulation and sovereignty regimes needed for their deployment, as well as the developmental implications of such arrangements. The conclusion recapitulates the article’s main arguments and addresses the debate on the BRI and the future of the hegemonic liberal development order.

The political economy of business development in China and the new market frontier

The roots of the BRI can be traced to China’s own domestic developmental trajectory. In particular, China’s external economic activities reflect the domestic

¹⁷ Lee (2014).

¹⁸ Harvey (1981).

¹⁹ Carroll et al. (2019).

relation between state, businesses, and society—or, put in other words, the social relations around production and the ensuing political arrangements. On this topic, specialist literature remains divided in two main camps or conflicting worldviews. The neoclassical camp sees state-business relations as a relic of an inefficient past, characterized by an ossified political system that impedes entrepreneurialism and creativity, and which seems to be regaining ground under Xi Jinping’s leadership.²⁰ A neo-Listian perspective, on the contrary, sees in the close linkages between state and businesses and, in particular, in the capacity of the former for adaptation and long-term planning, the main reason for unprecedented rates of growth and business achievement in contemporary China.²¹ More fine-grained analyses distinguish types of intervention and sectoral characteristics.²² These analyses unpack how state support and dirigisme cohabit with market discipline in an intimate, although, contested relation, particularly given the many types of Chinese enterprise, with varying degrees of state and private ownership, operating at different national and regional scales and relating to diverse levels of governance.

However, the blind spot in most of these accounts is the omission of any meaningful reference to social relations,²³ remaining focused on social and economic outcomes instead (e.g., GDP growth, poverty reduction, productivity, etc.). Thus, these perspectives fail to consider how China’s hierarchy of class relations has facilitated both swift state intervention and the creation of surplus value. Here, Benjamin Selwyn’s emphasis on a labor-centric approach to development helps to reposition class dynamics at the center of China’s transition to capitalism.²⁴ From this perspective, both the statist (which includes “state-imposed socialism from above”) and market-oriented versions of development tend to “force the majority of a given population into a socially subservient position,” enabling elites to capture surpluses.²⁵ The fact that said elites belong to a state bureaucracy, or a business owning or corporate managerial class, “is secondary to their relational power over a nation’s laboring classes.”²⁶ Where an elite perspective ponders the merits of state intervention vis-à-vis market mechanisms in delivering a set of aggregate national indicators, a labor-centric approach challenges the subservient position of the working class and allows for examination of the power

²⁰ Lardy (2019).

²¹ Ramo (2004).

²² Peck and Zhang (2013).

²³ Selwyn (2014).

²⁴ Selwyn (2016).

²⁵ *Ibid.*, 782.

²⁶ *Ibid.*

relations behind each production process or state project, subsequently evaluating the Chinese model and its external ramifications in terms of social justice.

A full analysis of such social dynamics is out of the scope of this paper. However, a rigorous appraisal of the BRI requires understanding where the Chinese firms that today roam the world in search for new investment opportunities stand in their relation to the state and society at large. For this, we must rewind to the late 1970s and explore the gradual centrality gained by business actors and rationales since then. In those early days of reform, the Chinese economy was organized around production units, or “*danwei*,” that implemented centralized economic plans with state funding.²⁷ The Contract Management Responsibility System applied in the early 1980s provided production units with a modicum of autonomy and installed “contemporary market-orientated management practices.”²⁸ The market orientation and entrepreneurial ethos were further consolidated with the Modern Enterprise System, initiated in 1990. This comprehensive reform restructured production units along a Western model of capitalist organization. Key here was the streamlining of responsibilities, as firms now renounced social obligations towards workers (which in the past had included education, housing, and healthcare, among others), effectively becoming profit- and market-oriented enterprises. According to the official line, the new model would separate politics and ownership from management and uphold limited liability and property rights.²⁹ However, the Chinese Communist Party was able to retain a degree of coordinating capacity through ownership and finance (state-owned enterprises [SOES] and banks), its ability to appoint and remove top executives in SOES (based, in principle, on economic performance), and through personal networks of power that linked economic elites with the country’s political structures—with many officials having made their fortunes by leveraging their privileged positions in processes of privatization in the mid-1990s.³⁰

As the tight relationship between political and economic power gradually acquired capitalist tones, the role of labor in the productive apparatus was also transformed. This entailed a process of proletarianization that affected, according to Walker and Buck, 120 million people displaced from the countryside to urban China, 100 million left without jobs following the dissolution of rural Township and Village Enterprises (TVEs), and 30 to 40 million affected by massive layoffs attending the restructuring of SOES.³¹ The working class that emerged out of the debris of

²⁷ Lin, Liu, and Zhang (2006).

²⁸ Forrester and Porter (1999), 48.

²⁹ SASAC (2009).

³⁰ Zhang (2008).

³¹ Walker and Buck (2007).

socialist production was particularly vulnerable vis-à-vis capital—which depressed labor costs—given China’s authoritarian political system and the networks developed between economic elites and local branches of the Party. Regarding the latter, decentralized governance has repeatedly enabled local governments to adopt overtly pro-capital stances, despite various labor reforms having attempted to find a healthier balance between economic growth and social stability.³² However, the Chinese state’s relations with the business sector cannot be characterized as uniquely patrimonial nor manifestly “developmental.” In China, traces of developmentalism (such as strategic state support for renewables)³³ cohabit comfortably with the capturing of benefits by an economic elite that operates in close proximity to the Party and within it (see, for example, *The Guardian’s* coverage on Chinese elite wealth in offshore centers).³⁴ The corollary of this capture is both developmentalism and corruption; unprecedented growth and inequality; material progress and severe exploitation and dispossession; urban development and domestic geographical hierarchies; a degree of state autonomy from social and external pressures and, yet, heavy reliance on foreign investment and markets; protection and competition.

In order to make sense of these seeming contradictions, it is necessary to highlight two processes of state transformation in China. The first is the interiorization of markets rationales at the core of the state’s modus operandi and mandate. The idea of “entrepreneurial statehood” highlights how market behaviors are today deeply ingrained in state entities (SOEs, policy banks, local governments, etc.), with market enablement and economic growth having become paramount principles.³⁵ However, this has not brought about a complete overhaul of the state. A second process is, hence, the maintenance and adaptation of an extensive state bureaucracy dedicated to the engineering of social life and industrial development. The conjunction of market goals and unrelenting Party leadership is aptly defined by Jonathan London as “market Leninism,” a term that emphasizes how “market reforms (...) grew out from the cracks in state-socialist economic institutions, and their character has and continues to be heavily shaped by the political logics of the Communist Party.”³⁶ In China, state and markets do not stand as separate entities, but the boundaries between them are irremediably blurred, with Leninist

³² Lee (2007).

³³ See Chiu (2017).

³⁴ *The Guardian*, 22 January 2014, “China’s cash haven in the British Virgin islands – the key points,” available at <https://www.theguardian.com/world/2014/jan/22/china-haven-british-virgin-islands>.

³⁵ Gonzalez-Vicente (2011a).

³⁶ London (2014), 93.

vanguardism now devoted to market development and, indeed, de facto private profiting.

Yet while China's capitalist transformation has delivered decades of record economic growth, the model is showing signs of exhaustion. As countries reach middle-income levels, the economic and developmental returns of further investment in urbanization and infrastructural development become less apparent.³⁷ These two sectors have been paramount in China's growth to date, making up for one fourth of the country's GDP. However, today they face a crisis of overaccumulation with remarkably low investment returns, which threatens to derail the country from its impressive growth trajectory.³⁸ The BRI seeks precisely to expand China's now exhausted growth model into new market frontiers, providing a lifeline to China's infrastructural sector while building networks that could also secure international competitiveness, market access, and geoeconomic goals.³⁹ In parallel, the government expects that investment in education and research and development could transform the growth model in China's coastal regions into one driven by knowledge and innovation and, in effect, high value-added operations. To achieve this, strategic government funding and relative degrees of protectionism operate alongside the unrepeated subsumption of labor to capital under conditions of authoritarian governance, internal geographical inequalities, dependence on foreign technology, and a pressing need for competitiveness within global value chains.⁴⁰ The expectation is that as China's economy upgrades, leading companies from the Chinese hi-tech sector, such as Huawei, will provide technology while benefiting from the BRI's capacity to open new markets, combining, in this way, domestic and external accumulation goals.

The quest for new spatial fixes will require, as we will soon see, the transnationalization of the state-business nexus and of social arrangements characterized by a unique leverage of capital vis-à-vis labor. Indeed, the very capacity to fund international economic expansion lies in the surplus value generated through decades of capitalist development in China. Crucially, too, the symbiotic relation between businesses and the state, with labor occupying a subservient position, is mirrored in state-coordinated investment partnerships overseas. We turn to these issues next.

³⁷ World Bank (2012).

³⁸ *The Financial Times*, 29 January 2015, "China: Overborrowed and overbuilt," available at: <https://www.ft.com/content/8b2ce9c4-a2ed-11e4-9c06-00144feab7de>.

³⁹ Despite the falling rate of return for infrastructural investment in China, the Chinese government has, as of recent, ramped up domestic infrastructural investment yet again in order to counter the effects of a "trade war" with the United States.

⁴⁰ Buck (2007); Zeng and Fang (2014).

Chinese state-coordinated investment partnerships and the question of development

In broad strokes, two modalities of overseas investment dominate China's international economic expansion. "Embedded investments" are common when the high levels of complexity in already existing industrial sectors, as well as the difficulties of navigating the relations with government agencies and civil society, prompt Chinese businesses to rely on local expertise via subcontracting, collaboration, and hiring of qualified local and international staff. My research on Chinese mining investment in Peru has investigated this trend, showing how Chinese firms (acting individually or in joint ventures) end up almost inevitably mirroring the behaviors preponderant in the contexts where they operate.⁴¹ This type of investment has *cumulative* impacts, as it adds to existing trends, albeit, in some cases, quite significantly. State-coordinated investment partnerships are, instead, more frequent when a target sector is underdeveloped and the necessary expertise is lacking in the host country. These projects are typically the result of government-to-government negotiations rather than market acquisitions or open bids. Since these partnerships create new markets and require only limited degrees of local embeddedness, they tend to have a *differential* impact, as they set in motion new developmental trends.

An important caveat is that despite the relative disembeddedness from local contexts, these partnerships produce forms of "uneven and combined development" that are shaped by local agency. The idea of "uneven and combined development" was first enunciated by Trotsky and more recently revitalized by authors such as Justin Rosenberg to emphasize how uneven patterns of internal development in a given place are affected by the interaction with other societies. Hence, it adds an element of inter-societal conflict and convergence to the internal social dynamics of capitalism.⁴² This perspective allows us to recognize how host governments, civil societies, and businesses that negotiate and sometimes enter into conflict with Chinese investors are not passive bystanders, but participate in shaping investment trajectories.⁴³ Project-specific issues are influenced by governmental demands and civil society pressures, such as the percentage of Chinese versus local workers, environmental standards, or more broadly, the adequacy of a project within a country's long-term development vision. This being said, local agency does not necessarily have a positive developmental impact. The

⁴¹ Gonzalez-Vicente (2012a, 2012b); see also Kernén and Lam (2014).

⁴² Carroll et al. (2019); Rosenberg (2013).

⁴³ Lam (2015).

developmental outcomes of any given project are the result of social relations at different scales, including the coercive laws of global competition, social conflict and class relations within host countries, and the personal interests of local elites.⁴⁴

The conjunction of such distinct agencies is what makes possible the contingent unfolding of the BRI in a variety of settings. In what follows, I focus on the accumulation and sovereignty regimes enabling the BRI, to subsequently discuss developmental implications. Some of the implications discussed below are also applicable to Chinese “embedded investments,” although many of these are amplified in the coordinated modality of investment. Due to space limitations, I focus exclusively on state-coordinated investment partnerships, given also the centrality of this investment modality within the BRI.

Accumulation regimes

Despite the modern enterprise being eminently a vehicle of capital accumulation, few authors have explicitly addressed what Ching Kwan Lee describes as the “logics of accumulation” of distinct types of enterprise, or varieties of capital.⁴⁵ In her study of Chinese investments in Zambia, Lee describes state-owned capital in the mining sector as being driven by an “encompassing accumulation” rationale, which prioritizes access over profit maximization in the shorter term, with profit targets set in the medium and longer terms.⁴⁶ On the contrary, Chinese private and state-owned construction firms usually respond to shorter-term commercial imperatives.⁴⁷ My own studies of Chinese mining investment in Peru also highlight a variety of business strategies and objectives, ranging

⁴⁴ Gonzalez-Vicente (2013, 2017b); Lampert and Mohan (2014); Lee (2009).

⁴⁵ Much of the literature on Chinese outward investments struggles to delineate a tentative line, differentiating the impacts of capitalism, per se, from those attributable to the characteristics of Chinese businesses. The compartmentalization of academic thought by disciplines presents practical and epistemological challenges for this task. Business scholars often focus on understanding firm structures and issues of productivity (or lack thereof), remaining oblivious to the social relations that underpin firm development in the first place. International development experts, on the other hand, center their attention on the social outcomes of specific projects, paying scant attention to the agency and organizational logics of Chinese enterprises, or the challenges they experience domestically. There are, of course, notable exceptions in both fields (see, for example, Nolan, 2004, Bräutigam, 2011, and Lee, 2014), but the dialogue across disciplines is rare.

⁴⁶ Lee (2014), 36.

⁴⁷ *Ibid.*, 43. Chinese firms are, of course, not alone in following business rationales that are specific to a sector. Companies needing to manage longer-term operations with fixed assets as in the case of the mining industry have incentives to develop convivial relations with communities in order to avoid disruptions of production (something that, for example, does not apply to junior mining companies focused on exploration rather than exploitation).

from those of companies like Shougang or Nanjinzhao, who prioritized resource access and quality, to others like Chinalco, who invested in a copper mine to diversify and develop into a multi-metal business, or others like Minmentals and Jianxi Copper, who formed a joint venture to complement and learn from one another's capabilities (international experience and copper mining expertise, respectively).⁴⁸

State-coordinated investment partnerships necessitate complex investment architectures in order to satisfy multiple and superimposed logics of accumulation. They rely on the unique ability of Chinese businesses to coordinate their overseas investments through central state support, while maintaining autonomous commercial objectives. At the center of these partnerships stand two Chinese policy banks (the China Eximbank and the China Development Bank) that fund projects globally, and China's central government, which, through its diplomatic ties, strikes deals with foreign governments. The State-owned Assets Supervision and Administration Commission (SASAC) of the State Council gives guidance and coordinates the 102 centrally owned SOEs and their 9,112 overseas branches, claiming to encourage both competition and cooperation among them.⁴⁹ These centralized entities operate under the "encompassing" logics of accumulation described by Lee (2014), and have a broad vision for capital accumulation and the longer-term development of Chinese businesses. Managerially autonomous enterprises—typically from the construction and energy sectors, either under the supervision of SASAC, operating at the provincial and municipal level, or increasingly private firms that are said to be responsible for half of the \$226.5 billion USD outbound investments in 2016⁵⁰—enter into state-coordinated investment partnerships usually with shorter-term commercial objectives. However, they provide centralized agencies with the expertise and capacity to delineate a grander industrial strategy one project at a time. Individually, these projects are about profit maximization. Collectively, they are about the international expansion of Chinese capitalism.

In these arrangements, we can observe *de facto*, flexible coordinated action based on the close liaison and flexible ties between state entities and state-owned and private firms. These ties allow for trans-sectoral cooperation, which represents a significant advantage when negotiating with cash-strapped governments. A differential factor here is state funding and the capacity of Chinese policy banks to receive payments in natural resources, such as copper, oil, or others, which they can then trade with other Chinese enterprises. The Bui hydroelectric dam in Ghana, built by Sinohydro, provides a good example. The project

⁴⁸ Gonzalez-Vicente (2012a).

⁴⁹ SASAC (2018).

⁵⁰ Shepard (2017).

was financed with a \$263 million USD concessional loan from the Chinese government (just as Ghana lost eligibility to World Bank concessional finance) and a buyers' credit of \$298 million USD from the China Eximbank.⁵¹ The repayment was guaranteed both by the good diplomatic relations with Ghana's government and through sales of cocoa beans to China's Genertec International Corporation.⁵² It is this kind of coordinated venture that has given Chinese businesses a competitive edge in markets that are beyond the reach of other corporations. Similar deals have been inked in other parts of the world, as, for example, in the Democratic Republic of Congo, a country where Chinese companies have developed a series of infrastructures in exchange for access to copper and cobalt deposits.⁵³ Others are to be paid back in hard currency, but using resources or assets as collateral.⁵⁴

While access is facilitated by the attractiveness of the deals that China's diplomacy can offer in conjunction with banks and enterprises, individual firms maintain profit maximization rationales. Indeed, in striving for profitable deals, Chinese firms often compete against each other.⁵⁵ In parallel, central institutions absorb risk with large portfolios through an extensive pool of countries. As size-maximisers, central policy banks and state agencies prioritize market access, diversification of risk, and the concentration of immediate profits at the firm level. Profitability at the firm level is facilitated by strict labor regimes and an austere managerial ethos.⁵⁶ Risk is also lowered by the diplomatic government-to-government good faith that is understood to underwrite each specific deal. In this sense, governments are considered to be more trustworthy business partners than private entities, given their capacity to sustain long-term debts and to mobilize national resources to address debt repayment—although the case of Venezuela is indicative of how Chinese interests may be undercut by poorly conceived deals.⁵⁷ As discussed above, state-coordinated investment partnerships also include provisions that allow governments to pay in kind. This can be made with resources as in Ghana's case, with the long-term lease of large extensions of land and contracts for the management of projects, as in the case of Jamaica's Beijing Highway⁵⁸,

51 Odoom (2017), 608.

52 Ibid.

53 Maiza-Larrarte and Claudio-Quiroga (2019).

54 E.g., oil in Venezuela, Angola and Brazil; see Alves (2013); Rosales (2016).

55 Jones and Zheng (2019).

56 Lee (2014).

57 Ferchen (2018).

58 *The Guardian*. 24 December 2015, "Beijing highway: \$600m road just the start of China's investments in Caribbean," available at <https://www.theguardian.com/world/2015/dec/24/beijing-highway-600m-road-just-the-start-of-chinas-investments-in-caribbean>.

or in other cases, with the ad hoc seizing of assets if a government is unable to pay, as in the case of Sri Lanka's Hambantota port.⁵⁹

In sum, transnational accumulation is made possible by coordinated modalities of investment that facilitate access and reduce risk, while mobilizing surpluses from China's domestic economy. Whether this will, in turn, provide significant benefits to such populations is highly questionable, for, as Selwyn reminds us, the type of elite-led development prevalent in China "conceptualizes 'the poor' as human inputs" and "legitimises repression and exploitation of the poor politically and economically, especially when the latter contest elite-led development."⁶⁰ The financial engineering involved in some BRI projects seems to indicate that individual firms have few incentives to contribute back to the development of China's society as a whole, at least in the form of taxes on their profits overseas. This is, for example, illustrated by the series of subsidiaries that the China Harbour Engineering Company (CHEC) has registered in the Bahamas, and Delaware to operate a BRI project in Jamaica. This is a frequent arrangement used to avoid double taxation (reduce costs) and uncertainty (reduce risk), mirroring global trends of financialization that prioritize business wealth-maximization and risk mitigation. A labor-centric approach challenges a monolithic analysis of China's rise and demonstrates once more that China's economic expansion overseas is underwritten by exploitative labor regimes and class-based hierarchies at home.

Sovereignty regimes and spaces of exception

The deployment of the BRI requires territorial conditions that enable the transnationalization of the diverse Chinese logics of accumulation discussed above. The territorial processes that I discuss here are best captured under the idea of flexible "sovereignty regimes," which highlights how effective territorial power emanates from different forms of contingently negotiated authority.⁶¹ Tom Narins and John Agnew have called to discuss the BRI from a sovereignty regimes framework, but while their focus is on the initiative's grander geopolitical trajectory and territorial ambiguity, mine is on grounded practices and effective arrangements.⁶² Despite a rigid discourse on state sovereignty, China's political geography is characterized by flexible sovereignty arrangements,

⁵⁹ *The New York Times*, 25 June 2018, "How China got Sri Lanka to cough up a port," available at <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>.

⁶⁰ Selwyn (2016), 781–3.

⁶¹ Agnew (2005).

⁶² Narins and Agnew (2019).

including differentiated citizenship through a rural vs. urban household responsibility system (*hukou*), the use of “round-tripping” by Chinese companies to invest domestically through offshore jurisdictions, the mushrooming of “special economic zones” that have acted as regulatory laboratories since the 1980s, or the existence of “special administrative regions” with semi-independent governments and legislations.⁶³ These flexible sovereignties have played an essential role in domestic processes of accumulation. The spatial fixes sought after by state-coordinated investment partnerships require similar enabling territorial logics.

We can identify a number of mechanisms, or sovereignty regimes, that have enabled the creation of spaces of exception for accumulation. I would like to focus on four here—the first two ubiquitous in contemporary capitalism, and the second two more specific (while not unique) to the deployment of China’s BRI: i) offshore routes; ii) market sovereignties; iii) special economic zones; and iv) embodied transnational sovereignties. The first mechanism, *offshore routes*, requires little discussion. It refers to the type of arrangements discussed above in the case of Chinese investments in Jamaica, where a series of offshore subsidiaries are formed to bypass the tax burdens and financial insecurities that such investments would face under Chinese and Jamaican sovereignty. Such arrangements, involving, in the case above, the Bahamas and Delaware, but in many other cases offshore centers, such as the Cayman Islands or British Virgin Islands, and Hong Kong, are quite prevalent. In this way, Chinese investors benefit from the existence of a “secretive, tax-free and *sovereign* homeland for (the global elite),”⁶⁴ which in many ways renders Chinese investors (including SOES) closer to a transnational capitalist class than to the “global South.”⁶⁵ The second mechanism, *market sovereignties*, can take a number of forms and is also quite frequent. Notorious examples are the long-term leases of public space for commercial activity, accompanied occasionally by state securitization of such spaces, or the extraterritorial regulation of commercial activity. These would include, for example, an agreement to fund Kenya’s Standard Gauge Rail, which included provisions for all disputes to be arbitrated in China⁶⁶; long-term land leases in places like Pakistan, Sri Lanka, or Jamaica; or the provision of Laotian military personnel to guard Chinese projects in Laos.⁶⁷ Again, these market-enabling sovereignty regimes reduce

⁶³ Gonzalez-Vicente (2017a).

⁶⁴ Hendrikse and Fernandez (2019), 32.

⁶⁵ Gonzalez-Vicente (2019).

⁶⁶ Adele Carrai (2019).

⁶⁷ Yang (2018).

financial and regulatory risk and, hence, ensure the profitability of the accumulation regimes discussed above.

A third mechanism is the promotion of *special economic zones* (SEZs). SEZs are spatial and territorial fixes for capitalist accumulation where state sovereignty is bypassed and legal compromises are reached to satisfy the economic logics of Chinese investors. Considered by Chinese officials a successful tool to promote economic activity within China, there are ongoing debates about the developmental potential of Chinese-built SEZs in places like Egypt, Indonesia, Mexico, or Russia.⁶⁸ A fourth mechanism, which has been seldom discussed from the optics of sovereignty, is what I describe as *embodied transnational sovereignties*. I use this term to refer to the ways in which Chinese workers in overseas projects, being subject to Chinese—rather than local—labor law, embody the transnationalization of Chinese sovereignty into distant construction sites across the world. A good example is the labor regime of CHEC in Jamaica. As in the case of many other Chinese, state-coordinated investment partnerships, CHEC was allowed to employ a significant contingent of Chinese nationals that made it possible to cut costs and expedite the construction process. These migrants worked under Chinese law, received salaries below the local minimum wage paid in Chinese accounts and taxed in China, worked for longer hours than is customary in the local sector, and did not enjoy freedom of association through independent unions. Effectively, this sovereignty regime facilitated the transnationalization of Chinese class relations into Jamaica and the use of a docile and inexpensive labor force accustomed to China's exploitative labor regimes.

Put together, these mechanisms illustrate Chinese entrepreneurial statehood in action overseas, and the mirroring of Chinese accumulation regimes and class relations through sovereignty arrangements outside of China. I turn next to the developmental implications of the trends discussed thus far.

Developmental implications

The accumulation and sovereignty regimes discussed above have implications for the developmental trajectories of countries involved in the BRI. First of all, by creating opportunities for economic activity where there were none, these arrangements constitute an attractive source of investment for political elites in struggling economies. The packages offered result in quick and efficient delivery of large infrastructural works at relatively low costs, often putting hundreds of people to work in the process. Furthermore, this is achieved without direct

⁶⁸ Bräutigam and Tang (2012).

macroeconomic policy demands, contrasting the approach of multilateral development banks. The latter have, for decades, financed projects and encouraged the participation of private sector investors in frontier markets. However, such funding is usually made conditional on the adoption of a series of institutional reforms and the acceptance of market-enabling technical assistance.⁶⁹ In many places, these reforms have been detrimental to long-term social, economic, and institutional development—for example, debilitating state capacity in industrial policy or revenue raising.⁷⁰ Here, Chinese investment partnerships offer the alternative of making loans accessible without forcing governments to surrender their policymaking capacity to external institutions—while at the same time demanding sovereignty arrangements that enable accumulation in the first place, as seen above. The attractiveness of this approach has reverberated beyond Chinese projects, with recent research showing that the World Bank has toned down its lending demands in countries that are the target of significant Chinese development cooperation, suggesting a knock-on effect.⁷¹

Given the increased state autonomy granted by the lack of overt political conditionality as traditionally defined, the onus is back on host country political elites to make sure that new developmental goals are adequate and effectively reached.⁷² As a consequence, the main advantage of Chinese state-coordinated investment partnerships represents their major flaw in some settings, as they are less likely to address developmental deficits where political elites have no discernible developmental vision, lack capacity, or are motivated mostly by personal interests. In such cases, the characteristics of these investment partnerships can further consolidate incompetent leaders and patrimonial networks of power. From this perspective, the uniqueness of Chinese investment partnerships is also rather straightforward in comparison to multilaterally-sanctioned projects: limited transparency, low accountability, and an apparent debilitation of the role of civil society in shaping developmental targets and processes. Discussing recent developments in Panama, Evan Ellis describes, for example, how Chinese companies have made their way into the country by catering to the personal interests of political elites and trade union leaders.⁷³ According to Ellis, no expert in Panama could explain the economic rationale behind a series of publicly funded Chinese infrastructure projects that included the construction of a port for cruise ships in the country's Pacific coast—a project that appears to be just the tip of the iceberg in a number of public

69 Carroll (2009).

70 Glennie (2008).

71 Hernandez (2017).

72 Gonzalez-Vicente (2011b).

73 Ellis (2018).

contracts granted under questionable circumstances.⁷⁴ While Ellis' suspicions cannot be corroborated here, it is easy to see how deals signed at the highest diplomatic level can bypass demands for transparency and accountability.

With a lack of open bids, government-to-government negotiations can also result in opaque and questionable deals. In Jamaica, for example, many NGOs and private sector experts that I interviewed failed to grasp the logic of paying for the construction of the Beijing Highway with 1,200 acres of prime land in the north and south of the island without first conducting a study that took into consideration the value of those lands vis-à-vis the costs and benefits of the project.⁷⁵ The transnationalization of Chinese labor regimes into Jamaican territories described above also became a point of contention. These arrangements were not only protested by labor-friendly organizations, but in fact, principally by the Incorporated Masterbuilders Association of Jamaica, which understood that Chinese business benefitted from an unlevelled playing field by having access to a labor force priced below market standards. From this perspective, Jamaican contractors were measured by higher standards that rendered them uncompetitive in comparison⁷⁶—exemplifying how local industries can be decimated by the same sovereignty regimes that enable the BRI. Crucially, while some countries could make objectionable use of a lack of scrutiny to reach tangible growth targets, others dominated by “sophisticated patronage networks centered upon the private accumulation of public resources,” such as Angola, have side-lined social development goals.⁷⁷ To be sure, organizations such as the World Bank have also, in the past, enabled corruption, particularly through controversial processes of privatization. Yet in the last two decades traditional development institutions have embraced a “good governance” agenda that seeks to tackle the issue of corruption through “improvements in procurement, in staff training and ethics (and with) the introduction of an anonymous hotline and protection of whistle-blowers.”⁷⁸ Chinese policy banks are nowhere near adopting similar measures.

The government-to-government approach inherent to the BRI discursively locates development within an “official-political” realm and removes it from the sphere of the social-political (i.e., what can be politicized and contested), to

⁷⁴ Ibid.

⁷⁵ These interviews were part of a research project on China-Caribbean relations which ran between 2016 and 2019. As part of the project, I conducted fifty-eight interviews in the Caribbean. Eighteen of them had an explicit Jamaican focus and took place mostly in Kingston.

⁷⁶ *Jamaica Observer*, 30 January 2017, “Local contractors bemoan conditions allowing foreign firms to get most major projects,” available at: http://www.jamaicaobserver.com/news/local-contractors-bemoan-conditions-allowing-foreign-firms-to-get-most-major-projects_88137.

⁷⁷ Power (2012), 998.

⁷⁸ Marquette (2004), 426.

partially borrow Nancy Fraser's terminology.⁷⁹ Following also Wang Hui's remarks about the depoliticized and bureaucratized making of a market society in China,⁸⁰ we can similarly argue that the BRI attempts to confine China's global developmental footprint to an official-political scale beyond societal scrutiny. Where this logic succeeds, civil society is debilitated to confront state-business alliances.⁸¹ This is particularly the case in contexts where local political elites grant Chinese projects a national strategic significance, effectively shielding them from public scrutiny. In Ecuador, many Chinese infrastructure and extractive investments have been protected under a national development and poverty alleviation "strategic" status, which has weakened indigenous rights and civil society's capacity to oppose such projects.⁸² This is, of course, the result of Ecuadorian politics, but the position of Chinese negotiators in these deals is to foment spaces of exception and eschew societal demands for transparency. Thus, as anticipated by Selwyn's labor-centric critique, non-elite populations are pushed into a subservient position, being conceptualized as either inputs in current production or infrastructure projects, beneficiaries of job creation processes, or merely as recipients of future "development." They are, however, not invited to define development in their own terms nor are they seen as rightful participants or owners of the development process itself.

Another way in which the social relations underpinning Chinese accumulation regimes are reflected in BRI projects is in the challenges that societal groups face when trying to engage investors that are shielded from accountability demands within China. This issue manifests in three ways: lack of reliable public data, unwillingness to endorse transnational transparency and responsibility standards, and lack of civil society networks. The first of these problems has, in itself, three further ramifications. One of them is the unreliability of Chinese official data.⁸³ A second one is the very limited information—and, in particular, critical information—about Chinese businesses in Chinese websites and media. The third one is the difficulties that many activists encounter when interpreting the limited Chinese-language information that can actually be found online. The combination of these factors creates an almost unsurmountable barrier for some civil society groups when they try to productively understand and engage Chinese businesses.

Just as importantly, Chinese businesses have generally been able to avoid demands for transparency. A recent report by Transparency International

79 Fraser (2013), 60.

80 Wang (2006).

81 Gonzalez-Vicente (2017b).

82 Vela-Almeida (2018).

83 Palmer (2018).

described Chinese companies' levels of disclosure as "disappointing," while noting higher transparency in publicly-listed foreign subsidiaries.⁸⁴ Despite a few exceptions—and these being typically associated with "embedded investments" that require a longer-term presence in an area—Chinese companies have also found little incentive to follow the Extractive Industries Transparency Initiative or to systematically adhere to World Bank or DAC standards.⁸⁵ In practice, Chinese investment partnerships are only subject to host country regulations—and rules can be flexibly applied as explained above—and a few loosely supervised voluntary guidelines set by different branches of the Chinese government, including the Guidelines on Environmental Protection and Cooperation drafted by the Ministry of Commerce and the Ministry of Environmental Protection.⁸⁶ Most analyses concur that the main concern behind these and other guidelines is the management of risk to ensure profitability.⁸⁷

This connects with my last point. If the very nature of state-coordinated investment partnerships depoliticizes infrastructural projects, the lack of a strong civil society and the hegemony of the business-state compact within China further shield companies from effective action against them. Non-governmental organizations (NGOs) in the developing world have often teamed up among themselves and with "Northern" partners to take on corporations at their country of origin. Open democratic societies allow the possibility of publicly shaming corporations or bringing them to court for their wrongdoings overseas—although the latter is seldom successful, given issues of leverage and the alignment of business and foreign policy aims. Yet these strategies, however feeble, are completely out of question when it comes to Chinese investments. First, there are very few Chinese NGOs focusing on Chinese overseas investments—the exception here being the Global Environment Institute, which has been able to work together with the Chinese government to stop an instance of illegal logging in Myanmar⁸⁸—and their power is often limited. Second, there is a lack of public space for critical discussion in China. Finally, to my knowledge no Chinese company has been sued within China for the social or environmental impacts of their activities overseas.

The legal battles around the Río Blanco mining project in Peru exemplify this. Monterrico Metals, a company registered in England, managed the Río Blanco project prior to its acquisition by the Zijin Mining Group in 2007. Monterrico was allegedly involved in a case of torture in 2005, and local activists partnered

84 Transparency International (2016), 8.

85 EITI (2010).

86 MOFCOM and MEP (2013).

87 Leung et al. (2013).

88 Walker (2017).

with the U.S.-based Environmental Defender Law Center to pursue the case. These organizations contacted Leigh Day & Co. Solicitors, who subsequently teamed up with Peru-based Fedepaz and the Coordinadora Nacional de Derechos Humanos to bring the case to the London High Court.⁸⁹ However, when Monterrico Metals was acquired by Zijin, it became clear that the case could not possibly be pursued in China. In this particular instance, activists were fortunate to reach a settlement, as the London High Court had frozen some of Monterrico Metals' assets as a guarantee prior to the acquisition.⁹⁰ While the success of these transnational legal campaigns is, in general, rare the case throws into sharp relief the impenetrability of the barriers to transnational activism in China. This is also reflected in the lack of a free critical media, or of the physical and online spaces where the sort of counter-hegemonic narratives that often form the basis for more or less effective forms of activism can develop.

A further question, somewhat beyond the remit of this article, but nonetheless crucial, is whether the modernity envisioned by Chinese elites, if realized, could be considered to constitute a socially or environmentally desirable development paradigm. Here, we can ponder the appeal, both in China or overseas, of the emphasis on a "harmonious" social order, state control of the means of communication, and the consequently politically-lethargic (except, that is, for the promotion of fervent nationalism) and consumption-driven lifestyles that such order engenders. Thus, we can further interrogate whether the intersection between Chinese and other "modernities" in multiple encounters across the world results in promising answers in the quest for the good life—a, perhaps, more complex and site-specific line of enquiry.⁹¹

The new (Chinese) spirit of capitalism

When the history of the early twenty-first century is written, China's international economic expansion will occupy an important chapter. At this stage, it is, however, difficult to know what will be the judgement cast upon the longer-term impacts of the current wave of Chinese overseas investments. Will China's vision for mighty infrastructural works result in unprecedented levels of connectivity and growth, or would it deliver white elephants and ghost cities? Will it empower countries to pursue successful and autonomous plans of industrial and societal upgrading, or will it irremediably tie their destinies to debts with and dependency on

⁸⁹ Leigh Day & Co. (2011).

⁹⁰ *Ibid.*

⁹¹ Fourie (2017).

China? Will the New Silk Road and associated projects help China fulfil its ambitions to successfully internationalize its businesses to levels of global leadership, or will these be dragged down by a series of conflictive and non-performing ventures? And most importantly, will the lives of people affected by these multiple projects improve, or are they destined to become pawns sacrificed to the god of economic growth? The answer to some of these questions is still uncertain, with likely variable outcomes in different settings. Yet rather than speculating on the future of the BRI, in this article I have argued for an assessment focused on contemporary processes and social relations. To do so, I have proposed a labor-based approach that understands development not just from the optics of aggregate national growth, but from the perspectives of living standards, justice, and emancipation.

The article has discussed how Chinese, state-coordinated investment partnerships have facilitated large-scale infrastructural transformation in indebted and underdeveloped countries with loans that do not impose traditional policy conditionalities, but which openly encourage business-friendly environments and sovereignty arrangements that enable, for example, the relaxation of labor regulations to facilitate the influx of Chinese workers. This and other examples demonstrate the transnationalization of elements of China's political economy through overseas projects. To name a few: exploitation of labor and extraction of surplus value in China linked to an unique capacity to finance projects abroad; overaccumulation in the construction sector in China linked to the prevalence of infrastructure-related loans abroad; market-Leninist institutional structures and state entrepreneurship within China that set in motion government-to-government negotiations and facilitate the accumulation logics of investment partnerships abroad; authoritarian governance of exploitative labor regimes at home linked to low-cost efficient infrastructural development abroad based on Chinese labor; the depoliticization of development at home linked to the depoliticization of Belt and Road projects; and an impenetrable state-business compact within China that is also linked to the debilitation of civil society leverage and multilateral regulations both at home and abroad.

China's approach has revived the role of the state and central governments in globalization, and in turn weakened other scales of development action, including both supranational governance and the domestic and transnational civil society spheres. In their revitalized role, central governments have become key promoters of a business-centric logic of development.⁹² The prominence of China in international development has also influenced other countries and institutions. For example, the European Union has recently presented a Euro-Asian connectivity strategy that addresses demands for infrastructural investment in

⁹² Gonzalez-Vicente (2015).

partner countries, although this is an initiative that has little teeth as of yet. Western donors have also increasingly converged with “Southern” modalities of development aid, with public-private partnerships (PPPs) increasingly “deepening blurring and blending” the links between development aid and trade and investment agendas.⁹³ Indeed, despite significant differences of format, one could question how distinct are the goals of Chinese state-coordinated investment partnerships from “the escorting of international capital by multilateral development agencies into frontier and emerging market settings.”⁹⁴ Rather than championing a new order, Chinese investors appear to be using different means to achieve similar ends. In this sense, it would not be far-fetched to argue that China has contributed more than any other country in recent years to champion PPPs and expand the market frontier into new horizons. Seen under this light, the Chinese model presents nothing but one of the latest permutations of the neoliberal business-centric, market-enabling rationale, albeit inevitably one with “Chinese characteristics.”

In an interesting account of capitalism’s ability to co-opt and recycle critiques directed at itself, Boltanski and Chiapello explain in *The New Spirit of Capitalism* how the business ideologues of our neoliberal present have successfully drawn upon progressive demands for freedom directed against post-War Fordist hierarchies and statist-centric orders⁹⁵—if only to reinstate markets at the center of social life. This argument can be adapted to understand how the new (Chinese) spirit of capitalism is similarly emboldened by the failings and critiques of institutions and practices that to many in the developing world came to represent the essence of North/South hierarchies and neoliberalism (e.g., the IMF, structural adjustment, conditional aid). Yet, despite bestowing a sense of leverage and relevance upon state leaders in the developing world, the chief objective of the Chinese model is none other than to expand capitalist accumulation—an endeavor that is not without its perils for the Global South, where such a developmental model presents real threats of unfolding debt and austerity, political exclusion, economic inequality, marketization and vulnerability, and environmental disruption, to name a few.

Finally, whereas in some ways China has made development “great” again by bringing large infrastructural development back to the table, questions remain about whether this is a necessary corrective or a return to an obsolete model. The trends discussed in this article suggest that the “rediscovery” of infrastructure has reignited national development imaginaries, and allowed government elites throughout the world to once again “see like a state.” Yet such vision seems to

⁹³ Mawdsley (2018), 175.

⁹⁴ Carrol and Jarvis (2014), 538.

⁹⁵ Boltanski and Chiapello (2005).

have blinded some from the immediate consequences of the BRI, characterized by enabling practices that reproduce profound social inequalities. Seen from a labor-centric perspective, and always bearing in mind the caveat of local agency, the BRI's underlying dynamics seem in general terms destined to deepen the social injustices that characterize business-centric globalization and wealth accumulation under late capitalism.

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