10 The BRI Under Xi Jinping

Fragmented Authoritarianism Beyond Water's Edge

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In 2016, during a break from interviewing ex-Khmer Rouge soldiers on the Thai-Cambodian border, I remember having a chat with my driver. "Are the roads in China as poorly made as the ones the Chinese build in Cambodia?" he asked me. On its face it was a simple question, but one that nonetheless has proven hard to shake. What is interesting to me is not how poorly-made the roads are, nor is it the suggestion that China is somehow shortchanging Cambodia. Rather, it is in the phrase "in China" (denoting the notion of "*as in* China"). It suggested to me that what China is exporting abroad is not simply its technical know-how, or its domestic overcapacity, or its economic diplomacy. It was also the germ of the argument I make here: that the PRC is also exporting, or externalizing, its own domestic structures and processes in attempting to meet its problem-solving challenges and project completion responsibilities on the international stage, in full view of the world.

But what are these domestic structures and processes? Xi Jinping has been heralded as the strongest Chinese leader since Mao. It is true that he has centralized a number of key institutions under his tenure and has curtailed a great deal of malfeasance within the government and the Party. And yet, the enduring Chinese notion of "those at the top have their policies and those of us at the bottom have our countermeasures" (上有政策下有对策) remains a fact of life. On that same trip, I was meeting informally with some government- and Party-adjacent interlocutors in Guiyang, and I asked them what the impact was so far of Xi Jinping's anti-corruption campaign. The response I got was that five-star hotels were removing two of their stars so that cadres could still have official (and reimbursable) meals at those venues despite the Central injunction that such meals must be limited to three-star hotels and below. And it does not stop there.

In this chapter, I unpack and marry the insights gleaned from these anecdotes to demonstrate a broader analysis of Chinese state behavior barely touched upon in current scholarly analyses and all but unknown in the elite policy discourse in Washington.

Context

In the past fifteen years or so, we have seen a dramatic shift outward in terms of Chinese influence-generating mechanisms, from the development of a blue water

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navy, something that in the early 2000s remained an open question, a fork in the road (Robert Ross, personal communication with author). In more recent years, China's building up of its man-made offshore atolls has raised tensions in the region. Washington's decision not to unduly contest this development only appears to add to China's invulnerability. China's export of its surveillance technology through the "Safe Cities" (安全城市) program is just one more dimension of this dramatic repositioning of China (Greitens 2020). Nor are these developments only in the security arena. What is, in fact, truly breathtaking is the scope and vision of China's outward-oriented investment to create markets, global infrastructure linkages, and gain access to strategic and rare commodities and natural resources. The Belt and Road Initiative (BRI) is among the latest and most dramatic, the breathless scope of which has captured the imagination – and outward-oriented investment – of multiple sets of actors in China. But others, like observers I spoke to in Uzbekistan who had no incentives to praise Chinese efforts, nonetheless spoke approvingly of the Xinjiang-Kazakhstan high-speed railway project as a significant provider of commerce – and public goods in general – to the region.[1]

Given all this, it is not altogether unreasonable to conclude that China is inexorably on the trajectory of a rising power, with very little drag on its global ambitions. Such a conclusion would lend itself to a particular set of policy prescriptions, and indeed, has fueled much of the hawkish rhetoric in Washington DC that Beijing is ready to "eat our lunch."

Certainly, we have seen China's approach to its own international behavior shift dramatically since the founding of the People's Republic in 1949. In the late Mao Zedong era, Chinese aid and cooperation to developing countries was intended to leverage China's international standing, particularly among the non-aligned movement and recently decolonized states. The first two decades of the reform era under the leadership of Deng Xiaoping and Jiang Zemin were critical to mitigating China's previous international isolation (as well as in the aftermath of 1989), which amounted to multipolarity (多极化) combined with "biding time and building capabilities" (韬光养晦). During the Hu Jintao era, we saw the emergence of what would eventually become BRI within the context of mitigating a negative international position over human rights and security transforming into actively pursuing Beijing's own purposeful agenda (that is, trade, investment, cooperation) via the policy of "Making a Difference" (有所作为).

But what is the "*Xi Jinping difference*"? Xi has transformed China's "Going Out" (走出去战备) strategy into the "Belt and Road Initiative" (BRI) and made it one of the key pillars of his turn toward the strategy of "Major Power Diplomacy" (大国外交), in which China seeks to secure (or return to) a more central role in global affairs. This has given rise to any number of debates over China's intentions, from "debt trap diplomacy" to the "Thucydides Trap." This has been reinforced by a continuous casting aside of strategic reassurance from Beijing in favor of a more confident and aggressive posture in which Xi Jinping's "China Dream" has been recast as the "China Threat" in the corridors of power in Washington DC. Even in sober analyses that showcase Beijing's deft handling of global financial challenges, from the Global Financial Crisis of 1997 to the current turn to multilateral debt relief (Bräutigam and Huang 2023), the reaction is the same: China is an unstoppable rising power and thus, by definition, a – indeed, *the* – long-term global threat.

And yet, as is often the case, we are getting it wrong, or at least forming a woefully incomplete picture. In March 2023, two *New York Times* articles perfectly described the complexities and challenges faced by Xi both domestically and globally. In "China's Cities Are Buried in Debt, but They Keep Shoveling It On," journalist Li Yuan provides a sober analysis of unsustainable domestic debt spending:

> As part of the ruling Communist Party's all-in push for economic growth this year, local governments already in debt from borrowing to pay for massive infrastructure are taking on additional debt. They're building more roads, railways and industrial parks even though the economic returns on that activity are increasingly meager. In their struggle to find the money to fund their new projects, and the interest payments on their old ones, cities are cutting public services and benefits.
>
> (Li 2023)

Just one day prior, Li's collogue, Keith Bradsher, wrote on "After Doling Out Huge Loans, China Is Now Bailing Out Countries," in which he argues:

> New data show that China is providing ever more emergency loans to countries, including Turkey, Argentina and Sri Lanka. China has been helping countries that have either geopolitical significance, like a strategic location, or lots of natural resources. Many of them have been borrowing heavily from Beijing for years to pay for infrastructure or other projects.
>
> (Bradsher 2023)

This eerie domestic/global parallel, I argue, goes far deeper than being an eyebrow-arching coincidence. Rather than the Beltway echo chamber and across the public – and increasingly, scholarly – discourse over China, I see equally inexorable constraints faced by Beijing. But these are not simply international constraints, although that is certainly part of the story (just not part of mine). Specifically, it is *domestic* Chinese institutions and their attendant pathologies – the politics embedded in its domestic bureaucratic and institutional landscape – that is increasingly becoming a key factor in explaining China's international behavior.[2] My thesis in this chapter is that the effectiveness of Chinese foreign investment and aid – and the influence that comes with it – is only as good as the domestic institutions that manage the relationship.[3] And not only is the lion's share of those Chinese institutions domestic-facing, but they are also increasingly subnational.

The Literature

This view extends beyond other approaches that we have seen on BRI (一带一路) strategy. But before that, it is worth looking at the existing literature. Much of the research on China's "Going Out" focuses on drivers and determinants of Chinese

OFDI. Political economy and international business scholars have regarded government support as a main driver of Chinese OFDI. Using the political economy perspective, scholars examine why and how the Chinese government stimulates OFDI (Deng 2004; Luo et al. 2010). Chinese firms have benefited significantly from government support at critical stages in their international efforts and their asset acquisition (Wang 2002; Warner et al. 2004). China's considerable foreign exchange reserves also facilitate government support, leading to rising state-controlled investments (Cheung and Qian 2009). State influence is evident in that most of China's OFDI is conducted by SOEs, accounting for approximately 80 percent of Chinese cumulative investment stock (UNCTAD 2013). In recent years, Chinese private enterprises have also emerged as important players in OFDI, but Chinese SOEs still dominate the majority of Chinese OFDI.

The dramatic rise in Chinese OFDI has sparked intense political, economic, and developmental debates in the global community regarding the role of state support in Chinese OFDI (Sauvant et al. 2010; Yeung and Liu 2008). Some scholars argue that the sharp growth of Chinese investment as a result of the Chinese state's "Going Out" strategy aims to serve its national development priorities (Song et al. 2011). Empirical studies show that the Chinese government succeeds in utilizing SOEs to achieve its strategic objectives and increases political and economic influence abroad (Bräutigam and Tang 2011; Jiang 2009). Chinese governmental support creates relative advantages for Chinese SOEs (Alon 2010; Liang et al. 2014; Wei et al. 2015), and China's well-developed regional institutions have a positive effect on Chinese OFDI (Liu et al. 2014; Liang et al. 2014).

Industry factors also shape the process of Chinese OFDI. Luo et al. (2011) report that industry structure uncertainty and firm-specific advantages increase the degree of Chinese OFDI. Yiu et al. (2007) find that Chinese firms with higher technological capabilities pursue more international venturing when home industry competition is stronger. Yang and Stoltenberg (2014) report that increased absorptive capacity and increased industry openness make Chinese MNCs more likely to engage in strategic-asset-seeking OFDI. Firm-specific factors also seem to be related to institutional factors. Wang et al. (2012) suggest that government involvement influences the level of OFDI, although not all firms possess equal abilities to internalize government-related advantages. Huang and Chi (2014) report that Chinese private firms are increasingly active in market- and strategic asset-seeking OFDI because of the unfavorable environment they face at home and the different resources they possess.

In addition to what is driving Chinese OFDI, much of the literature focuses on the adverse impact on the recipient country. Zadek et al. (2009), for example, argue that China's non-involvement policy keeps Chinese businesses away from "intervening in African countries' internal affairs" and therefore, they are less willing to address issues such as corruption, transparency, and human rights, even where these become potential business risks. Others warn about the negative impact of Chinese investments in countries ruled by weak or authoritarian regimes and the linkage between Chinese investment and authoritarian survival in the developing world. In particular, the "Angola model" of loans-for-oil allows countries to circumvent governance and transparency requirements by other investors or donors (Alden and Alves 2008; Lombard 2006; Moss and Rose 2006; Peh and Eyal 2010; Taylor 2007). Still others find that the lack of transparency of Chinese companies' operations and Chinese aid policy may cultivate corruption in less-developed countries (Peh and Eyal 2010). Chinese development financiers, such as the China EXIM Bank, also do not report their own activities in the same way as the other similar agencies, and the bank does not place reporting demands on its clients (Moss and Rose 2006). Yet it is unclear what it is about China that allows this to happen.

The literature also identifies that Chinese investors are willing to finance projects in countries with poor investment environments which lack traditional investors and donors (Cissé 2012; Corkin et al. 2008; Urban et al. 2013). Zhang Youyi has written particularly persuasively that first mover advantage in securing overseas BRI deals forces latecomers to undertake ever-riskier investments, demonstrating an alarming degree of risk-acceptance (Zhang 2017). Research also highlights concerns with the quality of Chinese services, especially in the ICT and construction sectors (Corkin et al. 2008; Dalton 2014; Gagliardone and Geall 2014; Konjin 2014; Marshall 2011). There is also concern over China's potential control over major aspects of the host countries' economy, especially in land-related investments (Hinkley 2011; Onphanhdala and Suruga 2013) as well as over competition between Chinese goods and local industries (Kubny and Voss 2010; Shen 2015).

Much has also been written on China's investments in developing countries that are concentrated in areas that are environmentally sensitive, focusing on concerns (and in some cases open protests) over Chinese investments in mining, infrastructure, forestry and agricultural projects (Gallagher 2010; International Rivers 2012; Martínez Rivera 2013; Mol 2011; Onphanhdala and Suruga 2013). Case studies on Chinese state-owned petroleum companies operating in a national park in Gabon (for example, see Bosshard 2008; Corkin et al. 2008; Deutsch 2010; Kong 2011; Mol 2011; Munson and Zheng 2012) and on key sectors such as forestry, where Chinese businesses have been implicated in illegal logging and not meeting environmental and social safeguards (Global Witness 2009; Al-Aameri et al. 2012; Roque 2009), abound. Similar problems are highlighted in fisheries where illegal fishing contributes to the degradation of coastal areas (Jansson and Kiala 2009; Roque 2009). A key issue raised is that China imposes lower environmental benchmarks on its aid and investment projects than multilateral institutions or Western companies (Bräutigam and Tang 2009; Mol 2011; Munson and Zheng 2012; Sautman and Yan 2009; Van Dijk 2009). Of particular concern is the lack of firm guidelines governing environmental impact assessments and providing for them to be verified and reviewed for accuracy and completeness (Munson and Zheng 2012). Examples of problematic environmental impact assessments (EIAs) have been documented in Argentina (Martínez Rivera 2013), Australia (Validakis 2014), and Cambodia (Grimsditch 2012).

Finally, and closer to the approach I take here, the literature on Chinese domestic constraints abroad is very good; there just simply isn't very much of it. And among what does exist, there is little consensus as to what the key variables or levels of analysis should be. Gill and Reilly (2007) use a principal-agent framework that is elegant but does not capture the multidimensionality of the interactions among relevant actors. Meidan et al. (2009) provide an excellent analysis of energy policy, but it is highly sector-specific. Corkin et al. (2008) argues persuasively that the Ministry of Commerce (MOFCOM) is very much ascendant at the expense of the Ministry of Foreign Affairs (MoFA), while Zhang and Smith (2017) argue precisely the opposite. Jones and Zou (2017) argue that state versus state-owned enterprise relations are governed by weak oversight but potentially underestimate Party control, especially under Xi, leaving us unsure about the balance of forces at work shaping foreign policy outcomes.

It is worth spending time on this last point. In the 1980s Zhao Ziyang sought to provide more opportunities for independent action for the government but was swimming against the tide and was swallowed up by the events of 1989, and Jiang Zemin sought – unsuccessfully – to bring the government under increased Party control (although he was extraordinarily successful in bringing a significant chunk of Chinese society into the Party). Xi Jinping has made no bones about the fact that he wants the Party not only to dominate the government but to take on key roles and functions that have traditionally – at least throughout the reform era – been under increasing government control, such as the economy. Under Xi, there has been an increase in Party leadership small groups (LSGs), quasi-formal coordinating mechanisms that involve top leaders. These Party-specific (as distinct from government-based) LSGs have some subtle differences with their government counterparts. First, Xi sits atop many of them, raising questions about his bandwidth and the leading groups' ability to undertake decisive action. Second, they have veered into replicating if not micromanaging some of the traditional, government-based policy-specific bureaucratic clusters. Finally, in some cases they represent the culmination of years, even decades, of jockeying to create such an organ, such as the National Security LSG (中央国家安全领导小组), which has since – along with the Comprehensively Deepening Reform LSG (中央全面深化改革领导小组) – solidified and institutionalized into a CCP Commission (委员会).

These and other recent additions – including the Public Security Comprehensive Management Commission (中央社会管理综合治理委员会), the Commission for Guiding Cultural and Ethical Progress/Building Spiritual Civilization (中央精神文明建设指导委员会), and the Central Cyberspace Commission (中央网络安全和信息化委员会) – appear to represent several things. First, as noted, they solidify and make more permanent the somewhat temporally defined leadership small groups and thus underscore their deep importance in Xi's approach to governance. The National Security Commission is an example of this. Second, they do appear to extend traditional Party functions into a new age. They also provide a way to enshrine Xi Jinping's own political priorities. And finally, they extend into the government sphere more so than we have seen in the recent past.[4]

Anticipating the next section, by grafting these institutions onto existing ones, Xi is further complicating an already complex system, establishing new political cleaves and potential for bureaucratic turf wars, and allowing for more liminal spaces within which actors can carry out their own goals and priorities without regard to those of Beijing.

My Argument

As already noted, my argument is that the effectiveness of Chinese foreign investment – and the influence that comes with it – is only as good as the institutions that manage the relationship. But what does this mean? What institutions are we talking about? There are several pieces upon which this argument is built. Many observers of China on the international stage consciously or unconsciously adopt assumptions of China being a unitary rational actor. Others, referenced in the previous section, disaggregate the state to the firm or to the sector. I would like to disaggregate even further.

A Good Deal of Chinese Politics is Fragmented

The Chinese government apparatus extends into the most arcane policy areas and is replicated at every level of the Chinese state, with some exceptions at the very bottom of the system. Each policy area has its own bureaucracies and each of these has its own particular structure, administrative rank, formal and informal power bases, institutional history, corporate culture, and idiosyncratic approach to reaching its organizational goals. Bureaucratic competition over power and influence is baked into the system, which is characterized by bargaining and consensus-building when it is working at its best, but is at least just as often defined by knock-down drag-out infighting, bureaucratic fragmentation, and institutional inertia and atrophy.

Who governs the BRI strategy? Like most policy in China, it is coordinated by several key national-level actors. The Ministry of Commerce (MOFCOM) supervises all foreign economic relations, including trade, investment, aid, and Chinese businesses' overseas conduct. MOFCOM is the statutory body on economic development and the caretaker of Chinese companies overseas, so economic interests are prominent when it makes decisions on foreign aid and investment projects. MOFCOM readily forms alliances with Chinese companies when a conflict among economics, diplomacy, and China's global image arises. MOFCOM's Department of Foreign Aid (DFA) has fourteen divisions (three on Africa, two on Asia, one on western Asia, Northern Africa and Eastern Europe, one on Latin America, and one on the South Pacific), and a general office and a staff of 70. MOFCOM also has a Department of International Trade and Economic Affairs (DITEA) that manages inbound grant aid from traditional donors and UN agencies (bilateral aid to China or trilateral aid with China being one of the cooperative entities); this must go through DITEA before approaching the ministries.

But there are obvious areas of overlap with other agencies, which are loathe to subsume themselves under MOFCOM's lead. The Ministry of Foreign Affairs (MoFA) is responsible for China's diplomatic relations and thus has a strong interest in – yet no control over – overseas SOEs. MoFA is the statutory body of China's foreign relations, tasked with building positive external relations and supporting domestic development and stability. For MoFA, political relations trump short-term economic gains. Therefore, MoFA will place more emphasis on whether aid and investment projects serve for broader political and diplomatic ties. The Ministry of Finance (MoF), on the other hand, allocates funding to be disbursed by China's ministries. Foreign aid project proposals need to be circulated to MoF for approval. In terms of direct funding, MoF covers the gap between the commercial and concessional interest rate for Chinese policy banks' concessional loans that help Chinese firms go out.

In addition, there are the state-owned banks. The China Export-Import Bank (EXIM bank) supports trade by providing credit and insurance and, like MOFCOM, supports overseas Chinese business deals by providing aid and concessional funding. Its concessional loans, an increasingly important vehicle to implement the "Go Global Strategy," made up more than half of China's aid in the period from 2010–2014. China Development Bank also funds large-scale infrastructure projects, while the China Export Credit and Insurance Corporation (Sinosure), provides export credit insurance, often as a form of subsidy. Other key participants include the National Development and Reform Commission (NDRC), which is responsible for: authorizing state investment in projects over US$30 million; price-setting for certain scarce/vital commodities and services; licensing; strategic restructuring; and industrial and climate change policy. The State Council's State-owned Assets Supervision and Administration Commission (SASAC) is the largest shareholder of SOE stock, and thus also seeks to maximize profit (and SASAC is at the same administrative rank as MoFA, MoF, and MOFCOM, as well as – for that matter – provincial governments.)

And as noted, another wrinkle is that under Xi Jinping, a growing number of new Chinese Communist Party (CCP) organizations have emerged and have increasingly encroached upon policy areas traditionally – and firmly – under government jurisdiction. This additional layer is intended to cut through much of the institutional and agency slack that exists within the system but may well have the effect of further contributing to it. The most relevant of these is the Comprehensively Deepening Reform Leadership Small Group, announced at the 3rd Plenary Session of the 18th Central Committee in November 2013, subsequently enshrined as a commission (Chinese Communist Party 2013). It has a breathtakingly wide scope, denoted by its constituent subgroups – Economy and Ecology (经济体制和生态文明体制改革), Cultural System Reform (文化体制改革), Democratic and Legal Reform (民主法治灵活改革), Social System Reform (社会体制改革), Party Building System Reform (党的建设体制改革), and Legal Professional Inspection System Reform (律师监察体制改革).

The CDRLSG's main task is to determine policy guidelines for reforming the economic, political, cultural, social, ethical, and party-building systems in order to address long-term reform issues, as well as to guide reform-related bodies of the CCP at central and local level and supervise the implementation of reform plans. It was initially charged with pushing policies past the bureaucracy to assist Xi in consolidating his power over China's vast government apparatus, the State Council, usually the domain of the Premier.

Each of these institutions has its own priorities and mandates, which can conflict with their partner institutions. Moreover, as articulated responsibilities are often vague, there is plenty of room to excessively liberally (or conservatively) interpret a given institution's scope of action. In practice, this means that the Department of

Foreign Aid within MOFCOM does not coordinate with MoFA; Chinese embassies and consulates report to MoFA, but the Economic Counsellor's Office, formally under the Embassy, reports directly to MOFCOM; MoFA visits to recipient countries are replicated or shadowed by MOFCOM with little meaningful coordination; and the China Exim Bank is under the Ministry of Finance but works closely with MOFCOM; indeed, it facilitates "development financing" that enhances MOFCOM via purchases of Chinese goods. Meidan et al. (2009, 596–597), for example, identify eleven different ministerial-level agencies that influence Chinese energy policy, and eleven with some jurisdiction over maritime affairs. Zhang and Smith (2017) count 33 agencies (led by MOFCOM, MoFA, and MoF) among the foreign aid *xitong* (系统), or "cluster of policy-relevant bureaucracies."

All Politics is Ultimately Local

The PRC has under its direct control 22 provinces, four provincial-level municipalities (Beijing, Shanghai, Tianjin, and Chongqing), and five autonomous regions (Tibet, Xinjiang, Guangxi, Ningxia, and Inner Mongolia) that have a significant number of a particular non-Han Chinese minority, Tibetan, Uyghur, Zhuangzu, Huizu, and Mongol, respectively. Chongqing became a provincial-level municipality when it separated out of Sichuan in 1997. Prefecture-level (地级行政区) units include seven actual prefectures (five in Xinjiang, one in Tibet and one in Heilongjiang), 293 prefecture-level cities, 30 autonomous prefectures (containing a large minority population, such as in the autonomous regions listed as well as provinces like Yunnan, Guizhou, and Sichuan), and seven leagues (or *meng*, which are the prefecture-level units in Inner Mongolia).

Of the 2,851 county-level administrative units, 1,355 are counties proper and the rest are a combination of 117 autonomous counties (自治县, counties with one or more designated ethnic minorities, analogous to autonomous regions and prefectures), 360 county-level cities (县级市, which are similar to prefecture-level cities, covering both urban and rural areas), 913 urban districts (市辖区or 地区, formerly the subdivisions of urban areas, consisting of built-up areas only), and 49 banners (旗, which are the same as counties except in the name, a holdover from earlier forms of administration in Mongolia), three autonomous banners (自治旗), one forestry area (林区, a special county-level forestry district located in Hubei), and one special district (特区), a special county-level division located in Guizhou province.

Below the county, there are some 41,039 township-level units in China, consisting of 13,749 actual townships (乡), 1,098 ethnic townships (民族乡), 19,322 towns (镇), 6,686 subdistricts (街道, or 街, small urban areas), two county-controlled districts (县辖区, that are being dismantled), 181 Sum (肃穆, townships unique to Inner Mongolia) and one ethnic Sum (民族肃穆), also located in Inner Mongolia.

Two important points become salient at this juncture: first, China's state structure is replicated throughout this impossible mosaic, and second, each of these localities and administrative levels has its own set of priorities and goals that can – and often do – vary not only with each other's, but most importantly and starkly with *Beijing's*, as the next section will demonstrate.

Most of Chinese Subnational Politics is Decentralized

So how do we square these national-level institutions – already in conflict with each other – with the overwrought subnational governing apparatus sketched out in the previous section? How is China governed? Specifically, how are binding requirements enacted, and what are the more propitious areas to work around, dilute, ignore, and even undermine a national policy at the local level? There are four things to consider when seeking an answer: distinction, salience, direction, aggregation. The first has to do with authority relations in China. Simplifying considerably here, there are two sorts of these authority relations, binding "leadership relations" (the shorthand is 领导关系); and non-binding, consultative "professional relations" (业务关系). Thus, the first consideration is to *distinguish* between these two types of relations.

The second dimension has to do with understanding the *salience* of these two sets of relations. Any administrative (read: government) unit in China can have any number of relationships – of non-binding, professional relations – even with higher-ranked units; however, it can only have binding, leadership relations with one single unit. The latter is the superior that the administrative unit in question must answer to, which is useful, especially when it is exposed to simultaneously conflicting orders.

The third dimension has to do with the *direction* of these critical leadership relations. If they are vertical in nature – that is, if a national-level ministry (部) can issue binding orders to its functional counterpart at the provincial level (the next administrative level down from the Center) and so on, all the way down the administrative hierarchy to the county level – it has centralized leadership relations or, in the Chinese vernacular, "leadership down a line" (条上领导). If, on the other hand, this ministerial counterpart at the provincial level – often a bureau (局 or 厅) – is established to follow its binding orders from the government at the same administrative level (in this case, the provincial government) and not from its national-level functional counterpart (ministry), such a relationship is called "leadership across a piece" (块上领导) within the corridors of power in China (Lieberthal and Oksenberg 1988; Lieberthal 1996). The direction of these authority relations is determined by concomitant direction of budgetary revenue through the mechanism of 编制, or the allocation system of budgets and personnel (Brødsgaard 2002).

The fourth and final component is the *aggregation* of these horizontal and vertical sets of leadership relations throughout the bureaucratic mosaic described in the previous section. If these sets of relations were relatively evenly or symmetrically distributed, it would be somewhat indeterminate as to whether China – in the aggregate – is a centralized state or a decentralized one. Luckily, the distribution is highly asymmetrical. Most observers of China, if tasked with determining whether China is highly centralized or decentralized, would almost certainly say that China, as a top-down authoritarian regime with little room for deviating from national commands and priorities, tilts far in the direction of centralized leadership relations. In fact, the opposite is true. The Chinese system is overwhelmingly decentralized in nature and has been going back to the Mao era. Of course, there are some caveats: the system has become more centralized under Xi Jinping, and the CCP has always provided the necessary backbone to government decentralization. On the first point, it remains unclear to what degree the tendency to push back on central dictates has been diluted since 2012. The impressionistic evidence suggests the answer is "not so much." This is due in part to the second point, which is complicated by the fact that promotion for subnational cadres has often been tied to local successes in which output figures suggest conformity with central government policy mandates even if the means to achieve them often break the spirit and the letter of the mandate in the first place.

This is important because the vast majority of the economic (and political) actors involved in BRI are *subnational* ones. After a period of painful consolidation (抓大, "grasping of the strong"), the reduction of national-level state-owned enterprises (SOEs) under SASAC has led to a manageable number of just under 100 SOEs, often in strategic sectors. These are powerful players in China's domestic politics. In China's political system, the directors of large SOEs are interchangeable with those commonly rotated into high-ranking political positions such as provincial governors and ministers. Aside from personnel connections to the Party-state, large SOEs are favored to implement China's foreign aid and government-to-government projects because they are state companies and generate revenue for the government, and because they have the resources to implement the projects. Private companies that win projects, such as Huawei, are large enterprises with strong state links. Moreover, some 900 provincial-level SOEs are owned and supervised by provincial governments' SASAC equivalents. The rest – around 112,000 smaller firms – are owned by lower-level administrations. Furthermore, as suggested by the previous discussion, provincial and municipal MOFCOM offices have regulatory authority over all companies registered at that same administrative level; the actual ministry – MOFCOM – does not! This is significant because provincial level SOEs make up 88% of all Chinese firms investing abroad,[5] and even, as in the case of Heilongjiang's "Three Bridges, One Island" (三桥一岛), developed their own local international policies. Even more to the point, subnational governments "interpret" (or ignore) often-vague central regulations, according to local conditions and interests.[6] Lest we think that this applies only to "traditional" Chinese SOEs, differences between local SOEs and private enterprises is negligible, certainly less than the difference between central and local SOEs (Jones and Zou 2017).

The result of all this functional, spatial, and administrative level-based fragmentation has been spelled out by Lieberthal, Oksenberg, Lampton, and others – sluggishness, a focus on extensive and ongoing negotiations, local veto power, policy incoherence, and so on (Lieberthal and Oksenberg 1988; Lampton 1988; Mertha 2008) – but more generally it falls under a dynamic that has described the key dynamic of Chinese politics for centuries, if not millennia: "those at the top have their policies, we at the bottom have our countermeasures." The difference today is twofold and significant. First, as China extends its investment overseas, domestic politics no longer stops at the water's edge, escaping the scrutiny of China's extensive supervisory infrastructure, thus contributing to a widening of informational asymmetries favoring subnational actors (Dimitrov 2022), and thus Beijing has far less ability to rein it in (under a command economy, the plan was the tool to mitigate local tendencies to thwart Beijing, while under reform it has been domestic-based cadre promotion mechanisms). Moreover, this is different from the dynamics that more recent scholarship describes, in which localities exploit opportunities at Beijing's expense through coherent strategies (Wong 2018). Instead, we see something of a "wild West" environment, more akin to the early days of reform, but far less cautious.

Second, these outcomes do not simply have consequences inside China, as Min Ye (2019)'s excellent work makes clear; they have consequences for China's relations with third-party countries as well as for the internal politics of the countries themselves. Thus, fragmented authoritarian governance itself is being exported abroad. The consequences, however, are potentially even more destabilizing, given that in China, domestic actors are all conversant with the rules, norms, language, and tools of the game, and are thus constrained by the others' knowledge of them; this is demonstrably not the case abroad, or if it is, it tends to dovetail with inefficient, rent-seeking, non-democratic norms of a given target country. This – far more than the vague articulation of some generic "third Chinese way" – is what the actual "China model" looks like.

Case Studies

How does all this look in practice? It is difficult to be systematic, given the dearth of information that is currently available. Nonetheless, there is enough data to allow us to derive some potentially illuminating hypotheses, even if we cannot yet adequately *test* them. What these cases do suggest is that the overused paradigm case of "debt trap diplomacy" in the case of the Sri Lankan port of Hambantota is far from the only instance of Chinese foreign engagement going off the rails. Unlike the Hambantota case,[7] the ones listed – Nicaragua, Myanmar, Ghana, and Cambodia – also underscore some of the non-strategic (at least as a part of China's foreign policy goals at the national level) origins, drivers, and effects of China's fragmented foreign policy (Abi-Habib 2018). Finally, these are all negative cases, the representativeness of which must remain unknowable at present – we simply do not have the data to confirm either way – but which are numerous enough to substantially inform the conventional wisdom of China's unfettered rise, as well as Chinese rhetoric that describes success after success in a series of inevitable "win-win" outcomes.

Nicaragua: "Covert" BRI?[8]

These threats to the coherence and stability of Beijing's foreign policy are not simply the result of errant entrepreneurs or desperate county governments involved in destructive but ultimately niche activities under the radar. The HKND canal project in Nicaragua is a case in point. The same year that Chinese-Ghanaian relations were reaching their nadir, a private Chinese company revealed its plans for an extraordinarily ambitious construction project, a shipping canal to rival the Panama

Canal, but located in Nicaragua and able to accommodate ships with greater tonnage. With a price tag estimated between $40 and $50 billion, the project was slated to include several free trade areas, two ports, tourism zones, airports, and facilities for power generation and transmission.

The developer, the Hong Kong-Nicaragua Development Corporation (HKND), was in charge of the project with a number of high-profile Chinese SOEs as partners, including the China Railway Construction Corporation for design work; the China Gezhouba Group, which is charged with "making equity investments in the project"; the Changjiang Institute of Survey, Planning, Design and Research; and "subsidiaries of the central SOEs China Communication Construction Group and China Airport Construction Group Corporation are responsible for the port and airport components, respectively." Despite all this, the Chinese government has denied any link to the project.

In Nicaragua itself, there has been significant opposition to the proposal, particularly surrounding the lack of transparency on a project with the scale and potential for disruption of the HKND canal. The canal would run through Lake Nicaragua, which is the source of drinking water for the whole country. It would also disrupt the integrity of several national parks. In rural residential areas, it would necessitate significant population resettlement. Yet amidst all this, a detailed project description was delayed until preliminary work on the project was already underway before any environmental assessment had been conducted.

Indeed, this non-transparency has been matched by questions surrounding the investors' ability to see the project through. HKND had no experience in infrastructure construction of such a grand scale, and it was unclear how it would be able to raise the amount of financing necessary for such an undertaking (suggesting that the Chinese state *had* to be involved). Perhaps as an example of "protesting too much", "in December 2014 a spokesperson from China's Foreign Ministry stated: 'the Chinese company's engagement in the Nicaragua project is an act of itself and has nothing to do with the Chinese Government.'" (Chu 2014; Miller 2014)

As it turned out, these fears were justified. Without being able to peer into the black box of the HKND-led consortium, it nonetheless appeared that China severed the cord by pressuring its SOEs to abandon the project when its finances came under scrutiny. The project itself was abandoned in 2020 and HKND's CEO Wang Jing unceremoniously vacated his short-lease office in Hong Kong's IFC Building, leaving no forwarding number or address (Schmidt 2018). Although unrealized, and perhaps showing Beijing's ability to rein in a project of such visibility, the HKND story is one that leaves a black mark on China's policies in the region (although ironically, and likely because it was abandoned, not Daniel Ortega's Nicaragua).

Myanmar: BRI as a Force for Destabilization

Although the situation in Nicaragua was nipped in the bud, the situation in Myanmar – also born from a lack of oversight – has been nothing short of disastrous for China (Chan 2017). November 2008 saw China's State Council approve the National Development and Reform Commission's (NDRC) recommendation to move forward on the ambitious Myitsone dam project in Myanmar. But an environmental impact assessment had not been conducted prior to approval. Eventually, the Changjiang Institute of Survey, Planning, Design and Research (CISPDR) was tasked with coming up with an EIA, which it promptly subcontracted to Myanmar's Biodiversity and Nature Conservation Association (BANCA). "BANCA's preliminary report, hastily drafted in October 2009, concluded that while damage caused by six other Irrawaddy Project dams could be mitigated, those associated with the Myitsone dam could not." As a result, BANCA's recommendation was for canceling the Myitsone project and concentrating on the construction of smaller dams and additional mitigation. The Chinese entity responsible for the project, the Yunnan International Power Investment Company (CPI) ignored this, starting construction in December 2009, three months before CISPDR had finalized the EIA (Jones and Zou 2017, 752). CPI also failed to consider growing and vocal opposition to the Myitsone dam which had been ongoing for the previous half-decade from actors within the Kachin state, falsely reporting that BANCA had approved the project.[9]

> CPI continued to violate rules even as Chinese regulators recognised the growing danger. MOFCOM's 'Notice on Issuing Overseas Security Risk Early Warning and Information Release System on Foreign Investment Cooperation' (2010) requires SOEs to minimise risks and losses if warned by MOFCOM (MOFCOM 2010). In June 2011, MOFCOM explicitly warned CPI that rising societal opposition in Myanmar could lead to the company being targeted by the country's government. CPI ignored the warning (Jiang 2009). Nonetheless, MOFCOM did not suspend the project, as it is empowered to do when due-diligence rules are violated.
>
> (Jones and Zou 2017, 753)

The negative effects of Myitsone onto Myanmar's domestic politics were direct and consequential.

As Myanmar slowly moved in the direction of post-military rule, its rulers sought to include and empower its armed ethnic minorities by establishing them as "border guard forces." Prior to that, however, activists within the Kachin state had rallied around opposing the Myitsone dam as a way of mobilizing support, arguing that it debased sacred lands while forcing unwanted relocation of the population living within. As Jones and Zou (2017) relate:

> This movement gradually became part of a powerbase for a group of mid-ranking Kachin Independence Army (KIA) officers disillusioned with their co-opted leaders . . . The KIA's "young Turks" seized control of the KIO/KIA, re-launching its anti-government insurgency (Brenner 2015). Opposition to the Myitsone dam thus contributed indirectly but significantly to renewed civil war in Myanmar.
>
> (Jones and Zou 2017, 753)

The effect was not simply to significantly destabilize Myanmar's domestic politics; it severely damaged the bilateral relations between the two countries and undermined China's international messaging as a better alternative to conditional Western foreign aid and investment. And the dam remains unbuilt.[10]

Jones and Zou (2017, 753) conclude that in the Myitsone dam case:

> a leading SOE, pursuing profit with reckless disregard for China's wider 'national interests', systematically violated Chinese regulations on overseas investments. Reflecting the Chinese state's fragmentation and uneven internationalisation, oversight within the Chinese-style regulatory state was weak and ineffective, despite the presence of authoritarian controls.

But as the next case demonstrates, this internationalization of Chinese domestic fragmentation gets even more granular.

Ghana: BRI Contributing to Transnational Worker Unrest

As BRI provides secure market access, new actors and entities complicate the situation with "large state-owned firms, often in collaboration with national agencies or subnational governments [seizing] economic opportunities." As they "expand to new markets, increase natural resource extraction, and establish competing manufacturing sites," they also attract "many migrant entrepreneurs . . . with little or no connection to or support from large firms or the national government," but who nonetheless can have a significant impact on Beijing's relations with a particular country or region (Hess and Aidoo 2016, 321).

Ghana provides a fascinating window into the internationalization of the dynamic of in-country migration in China except that it has now been extended beyond China's borders. Of note is the 2013 *galamsey*[11] controversy involving illegal gold mining by Chinese actors in the West African country. What is particularly interesting about their findings is that much of the origin of this fraught relationship can be traced back to a single county, Shanglin (上林), in the Guangxi Zhuang Autonomous Region, itself a major subnational player in BRI.[12]

As Hess and Aidoo tell the story, Shanglin county is the home of migrant workers who had worked in gold harvesting in China's Northeast during the 1990s. When those facilities closed, they returned home to a local economy that had little use for their professional skills. In the early 2000s, several of them ended up in Ghana where they amassed a considerable fortune, returning to Shanglin as millionaires. The inevitable gold rush saw a ballooning of Chinese prospectors in West Africa. Some seven years after the first returnees started spreading the news in Shanglin county, West Africa had 50,000 Chinese expatriates, two-thirds of whom came from Shanglin, and with active support by their local government:

> county government officials encouraged the growth of the overseas mining industry by assisting prospective miners in acquiring passports and travel documentation, ignoring some of the dubious lending practices surrounding the mining ventures, and helping coordinate the export of mining equipment to Shanglin miners in Ghana.
>
> (Hess and Aidoo 2016, 316)

The problem was that such mining was illegal in Ghana. Moreover, use of heavy machinery and toxic chemicals (particularly mercury) not only underscored that the Chinese were outcompeting their Ghanian counterparts who focused more on artisanal mining, but also contributed to the considerable negative environmental and health effects of their *galamsey*.

Unsurprisingly, resentment against the Chinese escalated into armed attacks, culminating in the shooting deaths of two Ghanaians by Chinese miners over a land dispute in Ashanti (Chinese social media was already replete with photos of Chinese workers killed or injured by Ghanaians). The Chinese miners sought help from the Chinese Embassy in Accra but were turned away because their visas and paperwork, secured by the Shanglin county government on the miners' behalf, were not the "proper working documents" (Hess and Aidoo 2016, 317).

As tensions escalated further, in May a fourteen-person delegation of representatives from the Guangxi Autonomous Region government (including its foreign affairs office) met with Ghanaian officials. The latter demanded that the Chinese engaged in illegal mining leave the country immediately, while the Guangxi delegation proposed to provide "technology transfers" and provide "sensitivity training" to Shanglin residents. Demonstrating some tone-deafness, the Chinese delegation criticized Ghanaian authorities for failing to protect the Chinese who had been engaged in illegal activity. None of this succeeded in preventing a crackdown which began the following month.

As the action proceeded, protests erupted in Shanglin, forcing the county and provincial authorities to send another delegation, this time also including officials from the commerce and public security offices to negotiate the release of Chinese taken into custody as well as arrange for the repatriation of some 4,500 Chinese miners. The result is that

> Chinese involvement in galamsey in Ghana has . . . been complicit in threatening Chinese foreign policy priorities in Ghana, soiling China's image, and consequently straining efforts at fostering Sino-Ghanaian relations. Collectively, their actions have not only impacted Sino-Ghanaian engagements but have also raised questions about Beijing's already critiqued foreign policy agenda in Africa.
>
> (Hess and Aidoo 2016, 314)

It is difficult to imagine a darker or more intractable and uncontrolled set of outcomes in the internationalization of China's domestic politics, but, as is often the case, Cambodia provides exactly that.

Cambodia: BRI's "Black Hands"

In a far cry from its headier days as an offloading area for arms to communist forces in South Vietnam and as a showcase for Cambodia's oil refining capabilities, the port city of Sihanoukville (Preah Sihanouk, also known as Kampong Som) had, by the 21st century, turned into a sleepy, sleazy destination for Western backpackers, drug addicts, and "death-pats." A few years later, however, it became a destination for Chinese investment in real estate and casinos, as an offshoot of China's BRI initiatives in the region, including high-speed rail, hydropower, and other infrastructure development (in addition to China's even less transparent strategic presence, such as the Ream naval base).[13] Sihanoukville is Cambodia's only deep-water port, making it an important BRI hub in the region (Inclusive Development International 2020; Ellis-Petersen 2018).

The Chinese population in Cambodia rose from 80,000 in 2013 to a quarter million in just six years, with 80 percent of them living in Sihanoukville. But it isn't simply Chinese entrepreneurs who are establishing themselves there; they have been joined by criminal organizations that are rooted in the Chinese mainland:

> Most of the criminal enterprises in Sihanoukville relocated from mainland China after the Chinese government adopted a draconian national security law that sought to crack down on criminal syndicates and gangsters. With its weak law enforcement, Sihanoukville became a safe haven in which these non-state actors could thrive.
>
> (Rim 2022)

As can be imagined, there have been a number of negative effects brought on by a situation in which the Chinese now make up 20 percent of the port city's population, made even more significant by the asymmetries of income favoring the Chinese in terms of economic and political influence. Social cleavages between the Chinese haves and the Cambodian have-nots have led to increasing tensions that the government seems unwilling or unable to quell. It has also led to a reinforcement of Cambodian leader Hun Sen's well-established authoritarian tendencies. And the kind of dependency that is likely to result is one that a small, vulnerable country like Cambodia cannot control like it had in the past (Mertha 2014).

In 2022, reports began to circulate that things had taken an even darker turn. Chinese-owned and -operated call centers based in Cambodia had transformed residential apartment complexes into heavily guarded and barbed-wired detention centers for indentured servants made up from unwitting victims recruited from China, Taiwan, Malaysia, Vietnam, Thailand, and elsewhere. These people were trained to operate global Internet financial scams from their cramped apartments and held indefinitely and incommunicado until a lucky few were able to escape and tell their stories.

When contacted, the Chinese Embassy in Phnom Penh claimed ignorance, which, while disingenuous, was also likely to be at least partially true, as many of these operations were established and continued far outside the established channels of diplomatic communication and/or fell through the cracks of China's political landscape. Stories of such forms of gangsterism are not uncommon in China and in locations on its periphery (like Hong Kong and Macau). The Cambodian experience demonstrates that BRI has facilitated opportunities to export these networks and project them ever further from their original source (Ye Yuan 2022; Pedroletti 2022; Yang Mei 2022). Human trafficking originating from China has mushroomed in Southeast Asia more generally (Podkul and Liu 2022).

Conclusion

To borrow a distinction from Charles Lindblom (1977) between "thumbs" and "fingers" in explaining political institutions, recasting the target of inquiry, the argument I have made in this chapter lacks the precision as well as the determinacy that a "fingers"-based approach promises. But given the open-endedness of the empirical phenomena under review, phenomena that are imprecise, irregular, unpredictable, and otherwise stochastic – by their very nature – a "thumb"-like framework is a better fit than is a "finger"-like theory or set of hypotheses. The point here is precisely that China's international behavior, when taken to include subnational actors operating abroad, is by its very nature unpredictable. What is important is such unpredictability is not a strategic master plan of nine-dimensional chess by foreign policy elites in Beijing, but rather the result of China's rough-and-tumble domestic political ecosystem being internationalized, as it extends beyond the water's edge and is grafted onto and allowed to shape politics on a global scale.

This has implications for the way in which we must study China in the present day as well as highlighting the importance of the assumptions we make about China in the policy world. In the case of scholarship, this creates a challenge for the study of China as it lays bare the artificiality of the sub-disciplinary distinctions between comparative politics and international relations. Scholars of Chinese domestic politics, that is, through the lens of comparative politics, must now grapple with an ever-complex reality in China where incentives, opportunities, sanctions, and institutional pathologies have an international dimension that is no longer sufficient to relegate to the periphery of one's argument or analytical approach. For the international relations scholar, it requires eschewing theoretical elegance by delving into the messy realm of domestic political structures and processes in China and examining how they can and do work at cross purposes with the best-laid plans of foreign policy elites in Beijing and global structural shifts. Much like Kenneth Waltz (1979)'s protestations that he was looking at *balancing*, not actual, historical *balances* of power, we must be content with how Chinese foreign policy behavior can upset the apple cart in a somewhat less-than-satisfying degree of determinacy.

For policymakers, looking at China's international behavior through the framework suggested here complicates the assumptions of intentionality that we ascribe to Beijing. Of course, intentions, insofar as they match up to goals, are the drivers of politics. But the question becomes: *whose* intentions? How do the intentions of various national and subnational actors reinforce or alternatively undermine one another, how do they work at cross-purposes and even undermine each other, and how much of what Chinese actors do in these target countries is not only in opposition to Beijing's international relations policy goals but is invisible to the elites charged with the actual crafting of China's foreign policy? Finally, what does such a framework tell us about Chinese state capacity? In this reading, China appears less than an international juggernaut and more like a Hobbesian Leviathan scaled up to the global level, suggesting that Xi is either unwilling or unable to alter this domestic fragmentation as it spills out beyond China's water's edge.

Notes

1 Interview Tashkent, February 22, 2023.
2 For a useful guide on the "paradiplomatic turn" in a non-China context, see Hess and Aidoo (2016)
3 This is an insight I developed in my work on China's foreign assistance to Democratic Kampuchea in the 1970s. See Mertha (2014) and Mertha (2015).
4 Johnson et al. (2017); and Alice Miller, China Leadership Monitor.
5 Gill and Reilly (2007); see also Garcia and Guerreiro (2022).
6 Tim Summers sees Yunnan as an "influencer" rather than as a spoiler. See Summers (2021).
7 www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html.
8 Grimsditch (2015).
9 According to Jones and Zou, "CPI's claims were not checked despite extremely high-level political involvement in Sino-Myanmar hydropower development" (Jones and Zou 2017, 753).
10 https://thediplomat.com/2019/03/myanmars-myitsone-dam-dilemma/.
11 "Galamsey, derived from the phrase "gather them and sell," is a local Ghanaian parlance that means illegal small-scale, gold mining in Ghana. Such workers are known as galamseyers or *orpailleurs* in neighboring Francophone nations. Galamseyers are people who perform illegal gold mining independent of mining companies, digging small working pits, tunnels, and sluices by hand" https://en.wikipedia.org/wiki/Galamsey.
12 Li (2019). On Yunnan province's role in BRI, see Summers (2021). On Hainan Province's influence of foreign policy, see Audrye Wong (2018).
13 Lampton et al. (2020); See also Nakashima and Cadell (2022).

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