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Doing Well by Doing Good

*China's new-style foreign aid projects
now emphasize mutual benefit.*

Deborah A. Brautigam

Since 1954, China has provided more than \$2.5 billion in development assistance to the Third World. By the 1970s, blue-clad Chinese could be seen in more than 60 developing countries, working in rice paddies, building stadiums, and constructing roads.

According to the "Eight Principles of Foreign Aid" formulated by Zhou Enlai in 1964, Chinese assistance is unconditional, emphasizes self-reliance and transfer of technical skills, and is provided in the form of interest-free or low-interest loans with generous repayment terms.

Lately, however, the Chinese have indicated that they would like to move away from concessional assistance to more business-like arrangements that smack less of dependency for the recipient—and involve more profit for China.

One way to do this is for Chinese teams to work as contractors on projects financed by other aid-donors. In Africa the Chinese already have landed contracts to build a West German-financed road in Rwanda, conduct a feasibility study on rice-growing techniques for the United Nations Development Program in Uganda, and plant seed rice on an outgrower basis for an International Fund for Agricultural Development project in Liberia.

"We are interested in doing more work of this kind," a Chinese diplomat in Africa explained. She added: "Please let others know," and handed over a glossy brochure describing the commercial services the Chinese National Complete Plant Corporation (COMPLANT) can offer African nations. These include the sale and installation of complete plants, technical services, and the creation of joint ventures to exploit virtually any business opportunity.

Whether concessional or commercial, Chinese projects exhibit the same features in country after country. The Chinese experts live simply and unobtrusively in dormitories, eating together and generally keeping separate from the local people. Even small projects have one person brought in solely to cook, and most include a small garden where Chinese cabbages and other Asian vegetables are grown for consumption by the team.

Local officials often express admiration for their Chinese guests, who often continue working through the weekend without demanding the same of their local counterparts. At the same time, however, communication is a real problem. Chinese workers are rarely taught the local language and interpreters are scarce. At one large con-

struction site in Monrovia, with over 100 Chinese workers and 300 Liberians, there were only 4 interpreters.

Another familiar complaint is that the Chinese are too "secretive." One African project director blamed this on the different cultures. "I don't think it's really a language problem," he said. "They are just the kind of people who like to keep everything to themselves."

This perception of secrecy extends to technology transfer as well. One Chinese diplomat at the United Nations admitted that in the past the Chinese had come in, built a turnkey project, and then left. There was little interaction with the local people. "Now," he said, "we try to transfer more technology to our African brothers."

"So long as they study and have the right attitude they can learn the skills," a Chinese economist in West Africa asserted. But his African counterpart grumbled that students sent by him to a Chinese project for on-the-job training in electrical engineering were treated as unskilled workers, and shunted around by their Chinese bosses to wherever labor was needed.

Nevertheless, some recipients seem determined to absorb all they can from the Chinese. When the president of one African country visiting a transportation project being built by China spied the vegetable patch, he asked the Chinese to teach vegetable-growing as well as their contracted task. And a minister of agriculture in another country half-seriously stated that he was thinking of assigning his aides to the Chinese cook.

Usually Beijing handles project details: the feasibility study, design, procurement of local materials, equipment imports, and project management. Lump-sum accounts are presented quarterly to the ministry under whose jurisdiction the project falls. While some local officials are happy to have all the administrative work done for them, many are frustrated at their lack of control. Others resent the difficulty they face in getting information from the Chinese about what they are doing, how they are doing it, and how much, in disaggregated terms, it costs.

Some aid recipients have also claimed that China's low-cost projects are deliberate "loss leaders," designed to spur trade and generate demand for Chinese machinery exports and spare parts. Beijing seems especially eager to crack the high-value market for agricultural machinery in Africa. Yet problems with breakdowns, infrequent shipping dates, and unavailability of spare parts, have led the Chinese themselves to look not only to China for equipment. A capital-intensive rice project in rural Liberia contained the usual assortment of Deng Feng and Feng Shou tractors made in China, but scattered among them were several Massey Fergusons, Komatsus, and a Briggs and Stratton sprayer. A US-made rice cleaner had been ordered by the Chinese and was expected to arrive soon.

The general consensus among West Africans working

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with Chinese agricultural machinery is that it is simpler than Western models, but less efficient. "They are still a developing country," one official explained, "and they haven't reached international standards yet."

Modern rice-seeder attachments, for example, deposit the rice and a dose of fertilizer simultaneously, while the Chinese seeder—based on a Soviet model of 20–30 years ago—deposits seed only, requiring another pass through the field for fertilizing.

No one would deny that most Chinese projects are bargains, however. Wages of Chinese experts, usually about \$5,000–6,000 annually, are a fraction of salaries for comparable personnel in the West. The projects themselves are carefully selected after rigorous cost-benefit analysis. When asked to rehabilitate a sugarcane complex, for example, a 50-person Chinese team told the Liberian government that it would need an annual subsidy of \$3.6 million to operate. Without refusing outright to extend a \$13 million loan for the complex, the team tactfully suggested that the Liberians look for a more profitable project on which to spend Chinese money.

The commercialization of China's foreign aid of course mirrors changes within China, particularly the growing emphasis on "economic results" and "mutual benefit." As one Chinese foreign aid official put it: "We are poor friends. And we are helping each other." ☞

How 7 Chinese Firms Have Won Nearly \$1.4 billion in International Construction Contracts

Li Lu

China Features correspondent

The Saipan Island, a bloody battlefield of the US frog-leaping operations in the Pacific during World War II, has become the site of a Sino-US joint venture to construct a two-story 104,000-square-foot hospital complex on 17 acres.

The building called the "Commonwealth Health Center" is a fully air-conditioned concrete structure with masonry exterior walls. Site improvement consists of asphalt and concrete paving, landscaping, drainage, and utilities.

Bidding for the first stage of the construction of the center was awarded to a Sino-US joint venture formed by the China Civil Engineering Construction Corporation (CCECC) and Mideast Systems Ltd. of New York. The joint venture won with a bid of \$480,000. Work began last June and will be completed by mid-October.

CCECC is the corporation which built the Tanzania-Zambia Railway in Africa, and one of the 41 Chinese Corporations operating abroad contracting projects and furnishing labor.

CCECC told China Features that it signed 15 contracts

valued at \$16.7 million in the first half of 1983, of which \$10.62 million was for labor services. By the end of June 1983, it had 7,743 engineers, technicians, and workers working abroad.

In addition to US Mideast Systems Ltd., CCECC has business relations with some 600 overseas firms including Polesky and Zollner Civil Contractors, Hochtief AG of West Germany, Narubeni and Fujita Corporation of Japan, and the Mendes Junior International Corporation of Brazil.

Apart from CCECC, China's major labor export and construction corporations include the China Construction Engineering Corporation, China National Complete Plant Export Corporation, China Road and Bridge Engineering Company, China International Water-Electric Corporation, Guangdong Corporation of International Economic and Technical Cooperation, and the China Petroleum Engineering and Construction Corporation.

Between 1979 and 1982, China signed 861 contracts in 46 countries and regions for overseas construction and cooperative labor projects worth \$1.38 billion. About 33,000 engineers, technicians, and workers were working on contracted projects abroad last year.

It was not until 1979, when China adopted the policy of opening to the outside world, that these Chinese corporations began to compete for commercial construction contracts abroad. Before then, they worked mainly on foreign aid projects in Asia, the Middle East, and Africa. Since 1979, they have earned a name for quality work, and a readiness to work almost anywhere in the world at bargain prices. Foreign firms that have worked with Chinese engineers and workers abroad have praised them for their "spartan needs," and for being "well organized."

Today these Chinese teams are building highways, bridges, and housing, dredging waterways, prospecting for minerals, constructing wharfs, and erecting power stations in almost every corner of the Third World.

Among the nations with major projects utilizing Chinese labor are Iraq, the Yemen Arab Republic, Libya, Rwanda, Algeria, Jordan, Nepal, Thailand, Sudan, Kuwait, Oman, Burundi, Pakistan, Djibouti, Tanzania, and Zambia.

In addition to taking on from-the-ground-up projects, Chinese contractors are also supplying technicians and managers for joint ventures, and skilled operators to handle leased heavy equipment. China even provides gourmet chefs, many of whom are working on contract in North American restaurants in New York, New Jersey, Los Angeles, Montreal, and Toronto.

The Chinese corporations are newcomers in the world market and have to pick their business carefully. Before contracting projects, they undertake feasibility studies and surveys. Prior to beginning the Imboulou hydroelectric station in the Congo, for example, the China International Hydroelectric Corporation conducted a feasibility study in 1982, sending a 40-member team to undertake an on-the-spot survey. If things go well, construction is expected to begin in 1985.

The substantial projects completed with Chinese labor include the Mosul Dam, Baghdad-Alqaim-Akashat Railway, Kut and Mahawil brick factories, Baiji Oil Refinery, Kirkuk natural gas project in Iraq, Guddu Thermal Power Plant in Pakistan, North Point ferry pier extension in Hong Kong, the Kigali-Ruhengeri Road in Rwanda, a portion of the National Road Number Six in Burundi, and the Marsyangdi hydropower station in Nepal. ☞