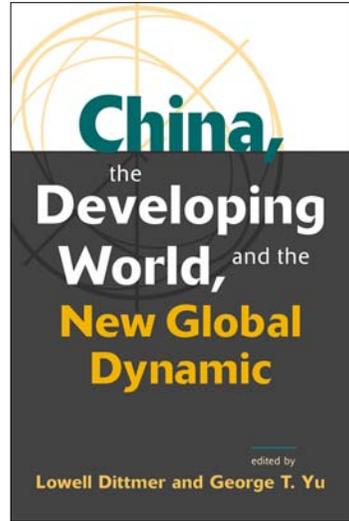


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1

China and the Developing World

Lowell Dittmer

For the past three decades, the People's Republic of China (PRC) has taken a renewed interest in the five-sixths of the world that is still developing, famously christened the "Third World" in the dawn of the Cold War to refer to those still-developing countries whose political and economic trajectories remained uncertain.¹ And although at times it seemed to have been eclipsed by security concerns superimposed by threatening superpowers or by lucrative economic opportunities elsewhere, China's identification with the developing world has never wavered. Indeed, we hope to establish that China's developing world "identity" has intensified since the Cold War ended, removing some of the urgency of security competition with the superpowers and providing an alternative reference group to fill the vacuum left by the collapse of the Communist bloc.

However, it is a new developing world, and a new China. The developing world has split in two: a Fourth World of about 50 "least-developed countries" (with a cumulative population of about a billion people) whose gross domestic product (GDP) has grown hardly at all in the past forty years, and a developing world of over 100 developing countries (totaling about four billion people) whose economic growth rate has for the past several decades outpaced that of the developed world.² Although China still "belongs" to this self-selected reference group in terms of per capita GDP and standards of living, in aggregate terms its inclusion there has become problematic. First, the extraordinarily swift pace of its economic development is lifting it from the ranks of other less-spectacular developers. Second, because its sheer size and population endow progress with such enormous scale effect, China has been able to loom as one of the world's largest economies (third largest by exchange rate measures, second according to purchasing power parity) within one generation.³ Thus, by the turn of the millennium, China had become East Asia's lead-

ing regional growth locomotive, generating a fourth of the world's growth since 1995, able to put a man into orbit, regain Hong Kong and Macau, stymie Taiwan's drive for independence, subsidize much of the US domestic and foreign exchange deficit, help manage the incipient North Korean nuclear threat, and open wide to globalization while containing any outbreak of Islamic terrorism or Buddhist "splittism" among its national minorities. As symbolized by the triumphant 2008 Olympics, if China is still a developing country, surely it is a formidable one indeed.

This book is organized into three sections. The first explores the macro political and economic dimensions of China's new or revised role vis-à-vis the developing world. It consists of two chapters: the first, by Mel Gurtov, reviews the chronological vicissitudes of China's evolving relationship with the Third World, beginning at a time when ideology was typically an indispensable railway switchman signaling just how far and how fast China's relations with these only occasionally socialist countries might proceed. In the second, David Zweig undertakes a systematic analysis of that dimension of Chinese foreign policy that has since the death of Mao transformed its relations with the developing world more dramatically than any other: its own booming economy, specifically its trading sector (now the world's largest, comprising over half of China's GDP).

The second part of the book focuses on those developing countries in China's immediate geopolitical "neighborhood," from which vantage point they may be expected to loom large on Beijing's security horizon, whatever their economic or political significance. The third section turns to those parts of the global south that are more geopolitically removed from China and whose cultural-historical ties tend to be more recent and superficial, requiring somewhat greater Chinese rhetorical emphasis on shared political-economic interests in order to foster a "harmonious world." While this may have constrained any PRC strategic aspirations, it seems to have had very little impact on burgeoning economic relations.

China's Neighbors

Located in the heart of Asia, sharing its long national border with more countries (sixteen) than any other country in the world, China has always been particularly concerned with cultivating and preserving good relations with these borderlands (from which attacks have periodically been launched throughout Chinese history), sometimes going so far as to launch limited offensive operations in order to preserve a favorable balance of power or to enhance deterrence.⁴ The end of the Cold War has considerably expanded China's policy options, assuaging ideologically based apprehension in South and Southeast Asia and creating a proliferation of new sovereign identities in

the north (viz., Mongolia) and west (Kazakhstan, Kyrgyzstan, Tajikistan, and slightly more removed, Uzbekistan and Turkmenistan). In South Asia, the advent of nuclear weapons in Pakistan and India has complicated an already long, tense tangle of relations with calculations of deterrence via mutually assured destruction.

The region in which China's strategic designs are most ambitious, according to the chapter by Jörn Dosch, is Southeast Asia. There is ample historical precedent for this—most of the “tributary” or client states making up the traditional Chinese international system were located in this region. The role to which China aspires, according to Dosch, is that of a leading but benign regional power, possibly displacing the US role of offshore balancer (the “outside in” model) with an “inside out” model. And there is growing empirical evidence to suggest that this goal is not unrealistic. China's role as hub in the emerging multinational manufacturing and assembly chain puts it in an indispensable economic position, which it has augmented with interest-free loans, outgoing foreign direct investment (FDI), and developmental aid to its partners, and trade is beginning to cluster around the region's new economic “locomotive.” Though still smaller than Japan's, China's GDP is much bigger than that of Southeast Asia (which barely exceeded that of South Korea in 2007), absorbing more trade and FDI and growing faster. From 1991 to 2007, trade volume between China and Association of Southeast Asian Nations (ASEAN) increased twenty-three times, from US\$8.408 billion to \$202.55 billion, making each the other's fourth-largest trade partner. Beginning in the 1990s, China has become much more active in those multilateral regional forums in which the United States is not involved, such as the ASEAN+3 caucus and of course the ASEAN-China Free Trade Agreement (ACFTA, formally launched in 2002 and scheduled for completion by 2010), moving from strictly economic associations to joint political and even security forums.

Regarding security, Beijing would like to eliminate the US bilateral “hub-and-spokes system” that it deems an obsolescent holdover from the Cold War era in favor of its “new security concept,” a multilateral framework based on mutual trust, mutual benefit, equality, and coordination and directed largely against nontraditional security threats. China has accordingly established various military links with seven of the ASEAN ten involving various forms of security coordination—joint training exercises, defense memoranda of understanding, military aid and loans, and bilateral talks on security affairs. As in the previous US-led “hegemonic security” arrangement, leadership derives from the hegemon's ability to assure both economic and military well-being,⁵ and although the former is nearer to hand than the latter, China's signature on the ASEAN's Treaty of Amity and Cooperation and the Declaration on the South China Sea, as well as such bilateral or trilateral accords as the 2005 oil exploration deal with the Philippines and Vietnam (lapsed in November 2008), are steps in this direction. Yet China is not only an impartial adjudicator but an

interested party in some of these disputes: the Spratly Island territorial issue is not yet fully resolved, perhaps awaiting only discovery of more large subsurface oil deposits to resurface, and the issue of hydropower development upstream of the Mekong and other rivers is one in which China is seeking bilateral hydropower-sharing deals with its neighbors in hopes of disarming trepidation about adverse downstream environmental consequences. Yet “smile” or “charm” diplomacy, accompanied by Confucius institutes, tourism, and other manifestations of soft power, have thus far been paying rich dividends.

The PRC has long taken an active interest in South Asia, initially as friend of India (which was among the first to recognize Beijing) in forming the non-aligned bloc, an early landmark in the formation of a distinct Third World identity. In these early years, India still led China in developmental indicators (though both were among the world’s least-developed countries), and in developing the Panchsheel, or Five Principles of Peaceful Coexistence, they jointly molded the ideological content of peaceful nonalignment and established the basis for the noninterventionist, latitudinarian strain of Chinese foreign policy that coexisted with the militant Maoist revolutionary strain and has since constituted the enduring cornerstone of Chinese foreign policy (having been written into the 1982 PRC Constitution). Following the flight of the Dalai Lama entourage to its Indian sanctuary in Daramsalah and the 1962 Sino-Indian border clash (in which India sustained significant territorial losses), the relationship soured, as Lawrence Saez and Crystal Chang relate in their chapter. China now assumed the role of outside balancer, helping to counterbalance subregional bipolar hegemony by supporting Pakistan, then Bangladesh, Nepal, and other smaller powers against India, which in turn signed a friendship treaty with the Soviet Union in 1971. Beginning in the 1980s, there have been serious attempts to negotiate the border dispute, especially after Rajiv Gandhi’s 1988 visit to China (the first prime ministerial visit since 1954), which resulted, among other things, in the establishment (in 1991) of a regular meeting forum to discuss such difficult issues. Despite slow but steady progress on many bilateral issues (India has recognized Chinese sovereignty in Tibet, and China recognized Indian sovereignty in Sikkim, though the latter remains somewhat equivocal), the territorial dispute remains unresolved, and India’s May 1998 nuclear test, initially justified (by Defense Minister George Fernandes) in terms of a “China threat,” revived old suspicions. The nuclear issue continues to freight the relationship, Saez contends, particularly in the context of recent US attempts to accommodate at least some of India’s nuclear ambitions in exchange for facilitating nuclear fuel supply and diffuse security support. Thus China pursues “a policy of *reluctant competition* with India, *contingent cooperation* with Pakistan, Bangladesh, and Sri Lanka, and *secretive co-optation* with Nepal, the Maldives and Myanmar.”⁶ China continues to cultivate Myanmar (Burma) and Nepal and to cooperate with Pakistan and other subcontinental rivals, but no longer at the risk of peripheral destabiliza-

tion (e.g., no longer backing Islamabad's position on Kashmir). There have already been three wars between India and Pakistan, and China's more cautious stance since 1998 reflects calculations that another would be more risky now that both have a nuclear first-strike capability. Traces of the old rivalry for leadership of the Third World are still visible but now in more realist form—in the cultivation of Myanmar, for example; in competitive bids for energy stakes throughout the Third World (which China has been winning); or in India's quest for a permanent seat on a reorganized UN Security Council (which China has quietly opposed). Meanwhile, despite old rivalries, bilateral trade has been expanding rapidly, though as in many other such cases the balance of payments tilts in China's favor.

China has been engaged in Central Asia at least as long as in South or Southeast Asia, Niklas Swanström attests, though its neighbors to the west were hardly tributary states: The "journey to the west" was to a wild and exotic land, home of "barbarian" mounted nomad warriors who continually menaced China's frontiers, sometimes even seizing the reins of national leadership. Even after imperial Russia absorbed this region in the eighteenth and nineteenth centuries, some of this perilous aura survived, as in the defection of some 200,000 Uighurs into Kazakhstan during the catastrophic post-Great Leap famine. Yet this was also the route of the ancient Silk Road to the fabulous wealth of the Middle East and beyond that to Europe. Though Beijing finds Central Asia far less threatening since the Soviet Union disintegrated into fifteen sovereign states in 1991, five of which share China's border and can be dealt with separately (viz., Russia, Mongolia, Kazakhstan, Kyrgyzstan, and Tajikistan), some of its double-edged character survives. Unmoored from Soviet sovereignty, the region is now the source of both vast subterranean mineral wealth and Islamic revivalism emerging under the uneasy auspices of postcommunist secular authoritarianism. These features are, however, also of interest to both the Russian Federation to the north and the European Union, and the picture is further complicated by the unfulfilled aspirations for democratization still latent in the wake of the region's incomplete liberation upon the dissolution of the Soviet Union (as manifested in "color" or "flower" revolutions in Ukraine, Georgia, and Kyrgyzstan). In deference to Russia's still-dominant security role and ownership of most of the energy pipelines, China's strategy has been opportunistic. Beijing's bottom line is strategic denial, that is, to coordinate effective suppression of the forces of transnational terrorism/splittism, which in present circumstances entails robust support for the authoritarian status quo and deep mistrust of US or international nongovernmental organization (INGO) meddling. For the Central Asian states, China's keen new interest in the region's commercial potential dovetails nicely with Western energy needs to evoke the visionary prospect of swift enrichment. Access to this wealth has also excited multilateral interest in constructing a new land bridge integrating the Eurasian heartland with its

more dynamic Asian and European peripheries.⁷ Meanwhile, cross-border trade is thriving (again, balanced in China's favor), the Atasu-Alashankou oil pipeline to Kazakhstan is now in operation; a natural gas pipeline from Turkestan is planned; and in Tajikistan and Kyrgyzstan, China has invested in hydroelectric projects. In terms of soft power, Beijing has contributed developmental aid and subsidized loans to these countries.

China and the World

Though Sino-African relations can be traced all the way back to the Tang Dynasty (618–896 AD), antedating even the famous voyage of Zheng He to the eastern coast of the continent in 1415 (from whence he sent two giraffes home for Emperor Yong'le), China first became intensively engaged during the early 1960s, when most of these erstwhile colonies became independent republics. As George Yu makes clear in Chapter 7, the PRC has always felt a strange special kinship with Africa, and it was here that many of the basic tenets of China's revolutionary Third World strategy first took operational effect. China's radical liberation rhetoric struck a sympathetic chord with Robert Mugabe's Zimbabwe African National Union liberation movement and other newly emerging African regimes, and China invested in several showcase infrastructure projects (most famously, the Tanzania-Zambia Railroad). But the subsequent Sino-Soviet dispute also split the African community between Chinese and Soviet variants of socialism, largely at Beijing's expense. Without abandoning these principles entirely, Beijing has all but abandoned its revolutionary iconoclasm since 1979 in favor of a more flexible, multifaceted policy of mutual cooperation and development. President Jiang Zemin made a tour of Africa in May 1996 in which he presented a "Five Points Proposal" establishing the terms of a new relationship with the continent, centering around reliable friendship, sovereign equality, nonintervention, mutually beneficial development, and international cooperation. The ministerial meeting Forum on China-Africa Cooperation (FOCAC), which launched in Beijing in October 2000, was the first collective dialogue between China and African countries and has since been held biennially; the third and largest Ministerial Conference and FOCAC Summit was convened in Beijing November 3–5, 2006, bringing China's "Year of Africa" to a spectacular climax. China awards from 1,500 to 2,000 scholarships to African students each year; in 2003, 1,793 African students accounted for 2.31 percent of all international students in China, while some 14,000 African officials have been trained in China since 2004; and 110,000 Chinese tourists visited Africa in 2005, double the previous year. Whereas in 1999, the total Sino-African trade volume was only US\$6.5 billion, by 2007 this had mushroomed to US\$74 billion, balanced (unusually) in Africa's favor since 2005, as China leapfrogged France to become Africa's

second-largest trade partner (China aims to replace the United States as Africa's biggest trade partner at \$100 billion by 2010). Investment seems to have accelerated significantly (with extensive government encouragement) since 2006. According to research done by Chatham House, from 1995 to 2006, Chinese national oil companies invested some \$8 billion in Africa, anticipating a continuing rise in Chinese petroleum imports.⁸ Investments tend to focus on areas rich in natural resources and to be linked to the export sector. Nearly a third of China's total oil imports as of 2006 come from Africa, and Beijing has skillfully used infrastructure investments, high-level visits, swift and unconditional grants and loans, and "noninterference in internal affairs" (appreciated by African democrats as well as dictators) to facilitate access to resource rights. At the same time, China quietly overlooks human rights abuses by some of the regimes with which it does business—indeed some are in partnership with China's own state-owned enterprises (SOEs).⁹ No longer backstopped by any ideological vision other than short-term mutual benefit, the relationship remains vulnerable to economic and political vicissitudes: can "win-win" suffice if those at the bottom feel the only real winners are those at the top? Though hesitant to violate its old taboo against domestic interference, China has become more sensitive to such downside risks; it now has 1,300 servicemen and police on the ground in six UN peacekeeping operations in various African states, hoping to straddle its support for African sovereign self-reliance with its commitment to be a "responsible great power."¹⁰

China's growing presence in the Middle East, according to Yitzhak Shichor in Chapter 8, teems with contradictions: ambivalence about the US presence there, ambivalence about Islam (because of its recent terrorist exorcism, to which China is exposed in Xinjiang) yet avid interest in economic cooperation, and last but not hardly least, ambivalence about what has become the defining subregional cleavage, the Israeli-Palestinian embroilment. Shichor divides Chinese involvement in the Middle East chronologically into three phases. During the first, the Maoist national liberation phase (ca. 1950–1980), China spurned proffered Israeli recognition on ideological grounds and embraced the cause of the Palestine liberation movement, an ideologically impeccable policy so out of touch with strategic realities that it achieved very little. Of course, China at this point had very little it needed to achieve, aside from world revolution: China was economically "self-reliant" with very little commercial intercourse.

During the second phase, from the 1980s until the early 1990s, China abandoned ideological exclusivity in its foreign affairs, wresting recognition of "feudal" Saudi Arabia away from Taiwan and undertaking cooperation with even Israel for high-tech weapons development (still sub rosa at this stage, not so much for ideological reasons as to avoid breaching the Arab and Third World united front on the Palestinian issue). Although China was not yet interested in Middle Eastern oil, it saw great opportunities in construction and in

the export of labor crews to these rich but underpopulated economies; it also took advantage of internecine wars (particularly the long, deadly Iran-Iraq struggle) to promote weapon sales.

During the third phase, China suddenly found itself no longer self-sufficient in oil (and within a decade, the second-largest importer in the world) and hence increasingly dependent on the major oil-producing states (particularly Iran). Chinese oil companies have been careful to diversify purchases widely and to buy production sharing agreements, using market mechanisms to lock in supply. Meanwhile, having resolved that worldwide class war is no longer inexorable, China found it ideologically possible to urge peaceful resolution of the Palestinian issue, thereby bridging (at least theoretically) the yawning split between two politically interesting and economically lucrative relationships. Despite an energy dependency (60 percent of its oil came from the Middle East by 2005) that Shichor expects only to grow, China's now fully normalized relations with Israel—a far more advanced economy than its Arab neighbors, particularly in marketable weapons technology—continues to thrive. Since normalization in 1992, annual growth in trade has averaged 40 percent, rising to US\$3 billion in 2005 and projected to reach US\$10 billion by 2010; China has surpassed Japan to become Israel's largest Asian trading partner. The Middle East thus perhaps best exemplifies China's postrevolutionary capability to compromise the bitterly entrenched cleavages of the world while profiting from both sides.

Nicola Phillips notes in Chapter 9 that, whereas China took Latin America into peripheral account during the Maoist era, supporting Fidel Castro (until paths diverged during the Sino-Soviet split) and Che Guevara in the late 1950s, for example, and taunting Nikita Khrushchev with cowardice after the Cuban missile crisis, the relationship was thereafter somewhat neglected relative to (say) Africa due to the obviously vast geographical and cultural distance (and sensitivity to the US Monroe Doctrine). Even after the reform and opening to the outside world, the region remained preoccupied throughout the 1980s with the mounting debt crisis economically and the third wave of democratization politically, while China initially focused on relations with the newly opened advanced market economies. Since the mid-1990s, however, China has launched an ambitious drive for economic trade and cooperation, while remaining careful not to provoke the superpower to the north. China has thus quietly ignored the recent leftward turn among half a dozen Latin American neauthoritarian regimes, also playing down any ideological affinity with Cuba or Venezuela.¹¹

Despite its recent advent, bilateral trade has expanded explosively (from US\$12.6 billion in 2000 to \$107 billion in 2007), as China leaped from nowhere to rank second or third among these countries' trade partners, outdistancing even Sino-African trade. In 2009, China outdistanced the United States to become Brazil's leading trade partner. Trade was initially imbalanced

in favor of Latin America, driven by China's drive to import oil, tin, copper, soybeans, and other natural resources to feed its second wave of heavy industrialization in the late 1990s, but China then began to flood Latin American consumer markets with cheap, labor-intensive manufactures, triggering a shift in the balance in China's favor—and a raft of antidumping suits. While Latin American governments and exporters have been delighted by the consequent bidding up of commodity export prices, they have had three problems with the emergent China boom: First, China's reserves of cheap labor (and low currency valuation) have made it a ferocious price competitor, enabling Chinese exports to crowd Latin American products out of many of their export markets. This has been especially noticeable in the case of Mexico, which has been displaced by China as second-largest US trade partner (despite membership in the North American Free Trade Agreement). Second, by providing a good price and seemingly boundless market for resource-based Latin American exports while at the same time competitively driving them out of various higher value-added markets, China trade tends to trap these economies in the primary sector, in effect imposing the same "dependent development" of which advanced Western capitalist "core" economies have long stood accused.¹² Third, unlike in Africa, China has not yet invested much in Latin America, leading to cries of neoimperialism. Though this gives rise to some trepidation about the future, for the time being Latin American delight with booming export markets trumps anxiety about stunted long-term future developmental implications.

Conclusion

China has changed, but the developing world has also changed. In the 1960s and 1970s, in the early dawn of postcolonial modernization, the Third World was more truly a peer group with shared dark memories of underdevelopment and brightly envisioned national futures. Yet even in this context, the path of a violent People's War advocated by Beijing found few takers. China spilled much ink and spent millions of dollars in support of national liberation, only to find that shared ideological commitment offered no reliable guide to mutually beneficial economic and political relationships.

Developing countries are now more diverse both politically and economically than ever before, and it has become more complicated to characterize China's developmental path as well. Even though China has been a brilliant economic success story, neither China nor any of the developing countries has expressed much interest in a whole-cloth appropriation of a "Beijing consensus" or Chinese developmental "model"—though China's economic success story is certainly respected, and selected aspects of China's pragmatic developmental approach have aroused growing interest. The relationship, thriving economically as never before, has grown in many ways disenchanted, secular-

ized, commercialized. But China seems to retain from its revolutionary heritage a genuine if ideologically obscure conviction that the future of the world still lies with the less developed countries. Thus China has been quietly responsive in its own way to calls to become a “responsible stakeholder.” China’s bureaucratically uncomplicated loans and aid, its proliferating infrastructure investment projects, its participation in UN peacekeeping operations have made a substantive contribution to Third World development. Beijing’s renewed economic commitment to the less developed—bolstered, it is true, by its own developmental needs—may have even had a certain bandwagon effect on eleemosynary efforts in advanced Western democracies as well—bolstered in this case by a jealous concern with China’s geostrategic inroads. In the wake of the current financial meltdown in the Western capitalist economies, China’s bet on development may prove most prescient, both for China and for the developing world.

Notes

1. The term “Third World” (*le tiers monde*) was coined by French demographer Alfred Sauvy in an article published in *L’Observateur* on April 14, 1952. Like the commoners of the Third Estate in the French Revolution, he wrote, the Third World was “ignored, exploited, scorned.” First gaining currency after being used at the Bandung Conference of African and Asian countries at Bandung in 1955 to characterize a new direction in world politics, the term has remained controversial.

2. Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (New York: Oxford University Press, 2007).

3. According to 2008 figures from the International Monetary Fund.

4. See Allen S. Whiting, *The Chinese Calculus of Deterrence: India and Indochina* (Ann Arbor: University of Michigan Press, 1975).

5. See Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), *inter alia*.

6. Lawrence Saez, “China’s Emergence and South Asia: Theoretical Linkages Between Multilateralism and Peripheral Stability,” Paper presented at the Instituto do Oriente conference, Lisbon, Portugal, June 17–19, 2008.

7. Nicklas Norling and Niklas Swanström, “The Virtues and Potential Gains of Continental Trade in Eurasia,” *Asian Survey* 47 (2007): 351–373.

8. Alex Vines, “China in Africa: A Mixed Blessing?” *Current History* 106, no. 700 (May 2007): 213–219.

9. For example, the Mineworkers Union of Zambia has estimated that at least seventy-one people died in Zambian mining accidents in 2006, many of them in copper mines controlled by Chinese businesses. Hu Jintao was forced to cancel a visit to the Chinese-run Chambesi copper mine during his February 2007 visit to Zambia because of fears of demonstrations by workers protesting low wages, unsafe working conditions, and so on. Vines, “China in Africa”.

10. Bates Gill and James Reilly, “Tenuous Hold of China Inc in Africa,” *Atlantic Quarterly* 30, no. 3 (Summer 2007): 37–52.

11. Which does not lead China to ignore obvious commercial opportunities. Cuba is turning to Chinese companies rather than Western ones to modernize its crippled

transportation system at a cost of more than US\$1 billion, continuing a trend that has made Beijing Cuba's second-largest trading partner after Venezuela in 2005.

12. There are some exceptions, of course—Volkswagen's branch factories in Brazil, for example, produce components for assembly of the Santana 2000 and Polo models in the Shanghai plant, linking Brazil to a multinational manufacturing and assembly chain.