



# 2ND INTERNATIONAL CONFERENCE ON BUSINESS DIPLOMACY

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# 2020 In Search Of New Values, DEC. 10 Rules And Practices



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# **Role of Business Diplomacy Where Economic Diplomacy Stops – A Critical Reflection of the Belt and Road Initiative in Africa**

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# Exchanges with “the Western Territory”



Different definitions throughout the history



# Exchanges with “the Western Territory”<sup>2</sup>



- Voluntary or involuntary exchanges



Built, rebuilt, and maintained between the 5th century BC and the 16th century. Remnants are mostly from the Ming dynasty (1368-1644) 8,851.8 km

# Chang'an (now Xian) in the east till Mediterranean in the west, linking China with the Roman Empire (since 1B.C.)

[http://www.zum.de/Faecher/G/BW/Landeskunde/rhein/kultur/museen/ma\\_reiss/ausst/s-eidenstrasse/karte.jpg](http://www.zum.de/Faecher/G/BW/Landeskunde/rhein/kultur/museen/ma_reiss/ausst/s-eidenstrasse/karte.jpg)





# Sino-Roman relations



The Roman Empire and the Han Empire around AD 1

# Exchanges with “the Western Territory”<sup>3</sup>



**張騫 Zhang Qian (195-114 BC) -**  
was an imperial envoy to the world outside of  
China in the 2nd century BC, during the time  
of the Han Dynasty

Zhang Qian's expedition to Central Asia  
from 138 to 126 BC (Mogao Caves mural, 618 - 712).

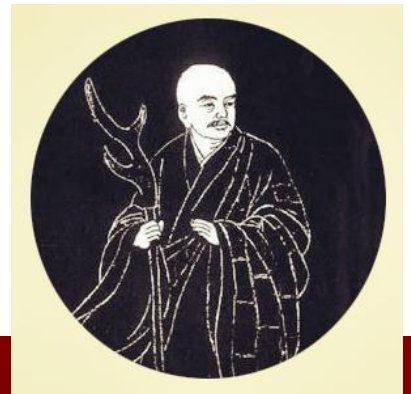


## Silk Road and international trade

# Exchanges with “the Western Territory”<sup>5</sup>



- **法顯** (Faxian), 東晉時, 平陽 (今山西臨汾) (337-422) travelled to India and Sri Lanka in 399-412 to study Buddhism and gathered Buddhist scriptures (“*A Record of Buddhistic Kingdoms*”, filled with accounts of early Buddhism, and the geography and history of numerous countries along the Silk Roads at the turn of the 5th century CE. )





# Exchanges with “the Western Territory” 6

- 玄奘 (602-664 AD)
- “Journey to the West” (627-643)



Design & built in 652. Renovation in 701, 931, 1604 & 1964)

新創出像官板大字西遊記月字卷之一  
華陽洞天主人校  
金陵世德堂梓行

第一回  
靈根育孕源流出 心性修持大道生

詩曰  
混沌未分天地亂 茫、渺、無人見 自從盤古破鴻濛  
削開從茲清濁辨 覆載群生仰至仁 發明萬物皆成善  
欲知造化會元功 須看西遊釋厄傳

至開天地之數有十二萬九千六百歲為一元 將一元分為十  
二會乃子丑寅卯辰巳午申酉戌亥之十二支也每會該一  
萬八千歲止就一日而論子時浮陽氣而丑則雞鳴寅不通光

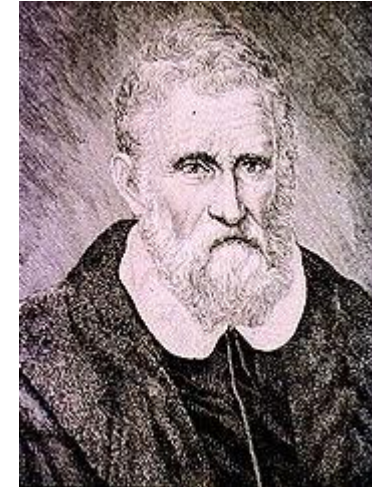
By 吳承恩(1504-1582)

# Exchanges with “the Western Territory” 7

## Marco Polo (1254-1324)



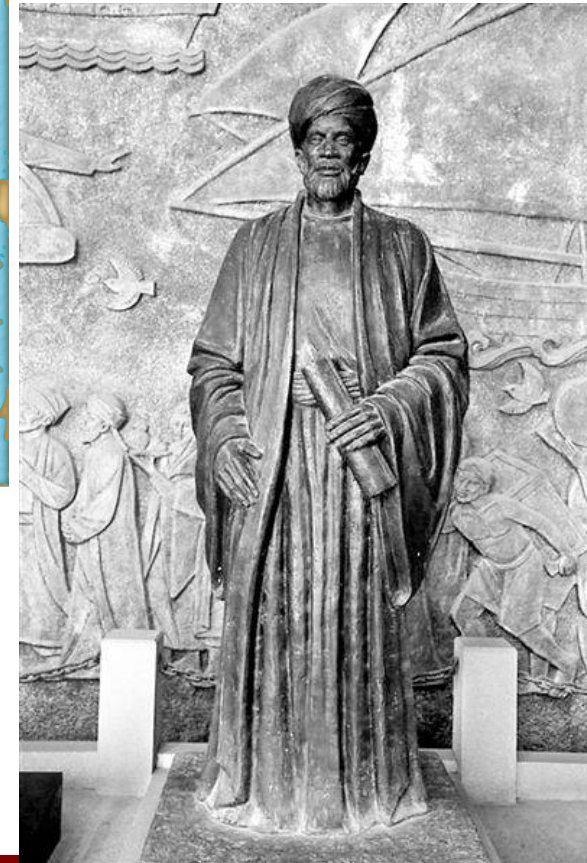
1246





# Earliest Interaction between China & Africa

Appointed as the  
sultan Muhammad's  
envoy to the Chinese  
emperor in 1342.



Ibn Battuta, in full Abū ‘Abd Allāh Muḥammad ibn ‘Abd Allāh al-Lawātī al-Ṭanjī ibn Baṭṭūṭah (February 24, 1304, Tangier, Morocco—died 1368/69 or 1377, Morocco) (Source: <https://www.britannica.com/biography/Ibn-Battuta>)

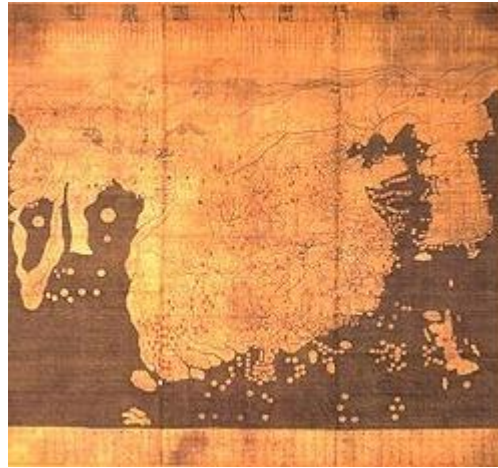
# Exchanges with “the Western Territory”<sup>8</sup>



- 鄭和 Zhan He (1371-1433)
- 7 Voyages to the “Western Ocean”  
“Xia Xi Yan” (1405 to 1433)



Zhan He's tomb, but  
only of his clothing



A world map made in  
Korea, 15th Century



Statue found in  
Melaka (Malacca)



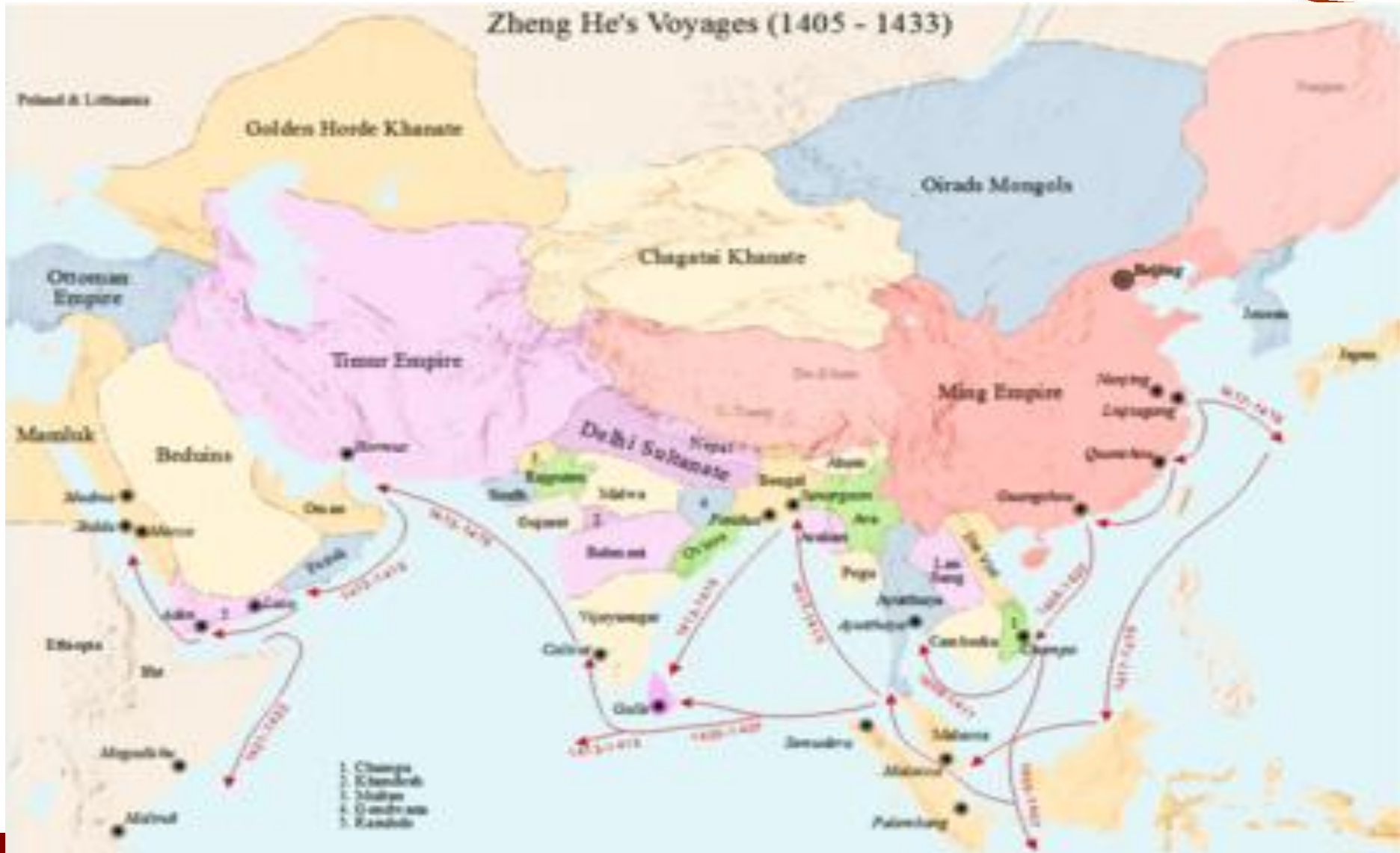
# The Journey of Trade & Political



- Zheng's appointment in 1403 to lead a sea-faring task force was a triumph the commercial lobbies seeking to stimulate conventional trade, not mercantilism.
- **The interests of the commercial lobbies and those of the religious lobbies were also linked. Both were offensive to the neo-Confucian sensibilities of the scholarly elite: Religious lobbies encouraged commercialism and exploration, which benefited commercial interests, in order to divert state funds from the anti-clerical efforts of the Confucian scholar gentry.**
- The first expedition in 1405 consisted of 317 ships and 28,000 men—then the largest naval expedition in history. Zheng He's multi-decked ships carried up to 500 troops but also cargoes of export goods, mainly silks and porcelains, and brought back foreign luxuries such as spices and tropical woods.

# Zheng He going to the “Western Sea”

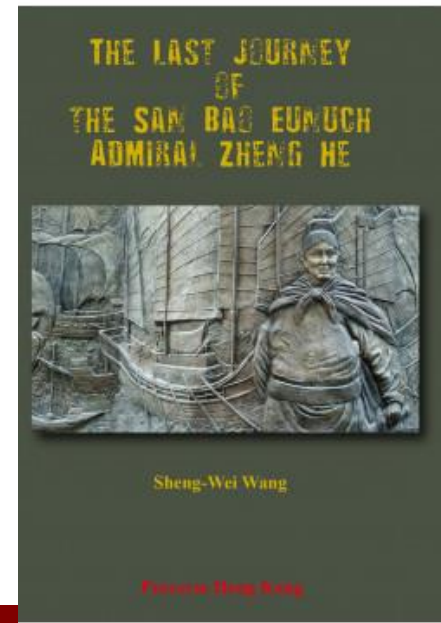
(Source: [https://en.wikipedia.org/wiki/Ming\\_treasure\\_voyages](https://en.wikipedia.org/wiki/Ming_treasure_voyages))



# “Closed Door” Policy



- Ming Dynasty was the ruling dynasty of China from 1368 to 1644.
- In 1424, Emperor Yongle died. A new policy of Closed Door was initiated and accomplished after the death of Zheng He's death during his last journey (1431-1433) in Calicut. En route, he visited the Red Sea and the east coast of Africa.



# Opening Door “Again”



- **The Open Door Policy (1978, Deng Xiaoping)**
- **Decision to join the WTO accession process in 1986 and became the 143<sup>rd</sup> member in 2001.**
- **Almost 20 years later, Chinese economy is the second largest of the world.**
- **In mid November 2020, the government announced the removal of the last remaining counties from its 2014 list of poor regions (N=832 counties)**
  - **The poverty line is set at 4,000 yuan per year, or \$1,52 per day (Source: Reuters, 24-11-2020)**



# OBOR – Business Strategy 2.0



## ➤ Phase I: “Inviting In”

- Tax holiday, everything-goes industrial zones
- By early 2000’s, China outpaced the USA in factory output. However in 2005 China began gradually dismantling their system of attracting FDI without conditions -
  - **TODAY** high value added & high-tech

## ➤ Phase II: “Going out”

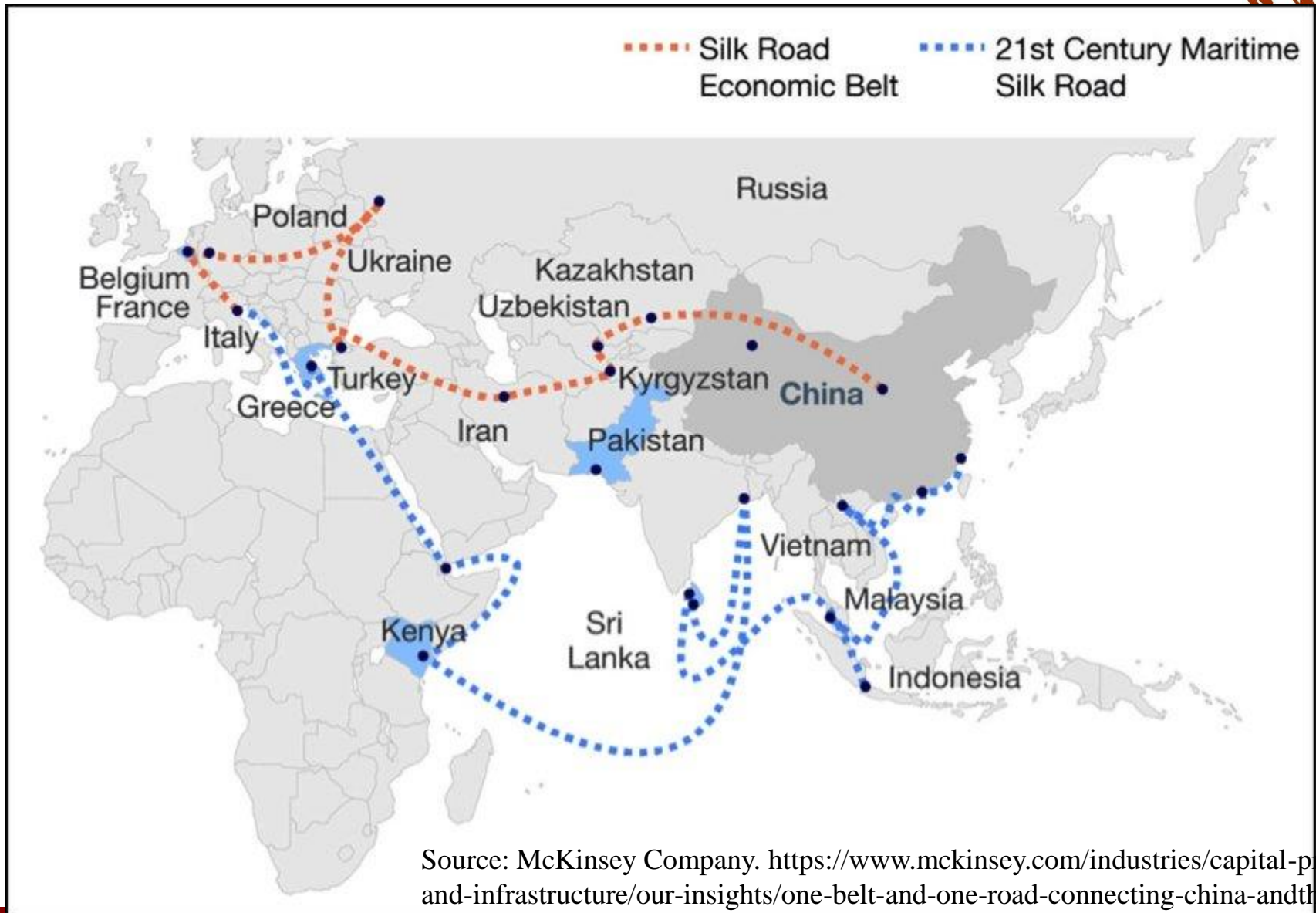
- Business expansion, M&A, International IPO
- Global Supply Chains

# **OBOR – Business Strategy 2.0**



- **Global integration of business expansion and national security**
- **Influencing the international agenda setting**
- **National identity**
- **Counter the negative reactions or ambivalence of “old” power countries by building new economic and political alliances -  
>psychology of security**

# OBOR of 21<sup>st</sup> Century



# Controversial



- ❖ China's political and economic engagement in Africa has been widely discussed in media and scholarship (e.g. Bräutigam, 2011 ; Power and Mohan 2013 ; Mawdsley 2008, Taylor 2009 3 ).
- ❖ It has been presented as one element of the Asian giant's 'global rise' (Gu, Humphrey and Messner 2008)<sup>4</sup> , a vision of Beijing-driven neo-colonialism or neo-imperialism (Lumumba-Kasongo, 2011)<sup>5</sup> , a promotion of an alternative/NonWestern development models in the process of decolonization, and/or a new dimension of multilateralism of South-South Cooperation (Abdenur,2014)<sup>6</sup> .

Hangwei Li, 2020, <http://www.bu.edu/gdp/files/2020/02/WP10-Hangwei-.pdf>



# More Controversy



- ❖ When discussing Chinese financing for its overseas projects, most academic and public attention has focused on infrastructure projects and China's **two development banks** - China Development Bank and China Export-Import Bank (Chen 20187 ; Moss & Rose, 20068).
- ❖ Although other sources of Chinese finance, especially a range of bilateral and multilateral funds have also emerged over the past decade, not much literature has examined these alternatives. Below are some examples of regional and bilateral funds that initiated or created by the Chinese government.



**Table 1: Some examples of cooperation funds created by the Chinese government**

Name	Fund Size	Stakeholders	Founding year	Area served
China-Africa Development Fund	10 Billion USD	China Development Bank (CDB)	2007	Africa
China-ASEAN Investment Cooperation Fund	10 Billion USD (target)	The Export-Import Bank of China (Chexim); China Investment Corporation	2010	Southeast Asia
Silk Road Fund	40 Billion USD + 100 Million RMB <sup>9</sup>	State Administration of Foreign Exchange (SAFE); China Investment Corporation (CIC); The Export-Import Bank of China (Chexim); China Development Bank (CDB)	2014	The Belt and Road initiative related industries and project
China-Latin America and Caribbean Industrial Investment and Cooperation Fund (CLAIFund)	30 Billion USD (target); 10 Billion USD (first round of funding)	State Administration of Foreign Exchange (SAFE); China Development Bank (CDB)	2015	Latin-America
China-Africa Fund for Industrial Cooperation (CAFIC) <sup>10</sup>	10 Billion USD (first round of funding)	State Administration of Foreign Exchange (SAFE); The Export-Import Bank of China (Chexim) <sup>11</sup>	2015	Africa

Hangwei Li, 2020, <http://www.bu.edu/gdp/files/2020/02/WP10-Hangwei-.pdf>



**Table 2: Some key development finance institutions' total investment and financing amount in Africa**

<b>Name</b>	<b>Total financing commitment in Africa (Billion USD)</b>	<b>Founding Year</b>
World Bank Group (WB)	73 (as of January, 2019)	1944
African Development Bank (AfDB)	47.5 (as of January, 2018)	1964
China Development Bank (CDB)	50 (as of September, 2018)	1994
The Export-Import Bank of China (CHEXIM)	87 (as of July, 2019)	1994
China-Africa Development Fund (CAD Fund)	4.6(as of August, 2018)	2007

Hangwei Li, 2020, <http://www.bu.edu/gdp/files/2020/02/WP10-Hangwei-.pdf>

# Current State: Trade & Commerce



- ❖ China has become Africa's largest trading partner for 10 consecutive years since 2009.
- ❖ Today, the continent is also the Asian giant's second-largest market for overseas project contracting and fourth-largest outward investment destination.
- ❖ China's expansion in Africa also fits into Chinese President Xi Jinping's development framework—'the Belt and Road Initiative', which joins a continental economic belt and a maritime road to promote cooperation and interconnectivity from Eurasia to Africa.

Hangwei Li, 2020, <http://www.bu.edu/gdp/files/2020/02/WP10-Hangwei-.pdf>



# Top Ten Exporting Countries to China (2019)



2019年·中国与非洲各国进出口数据——中国自非进口前十大国家（百万美元）

非洲国家	自非进口	对非出口	中非进出口
南非 <b>S. Africa</b>	25,923	16,543	42,467
安哥拉 <b>Angola</b>	23,654	2,056	25,710
刚果布 <b>Rep. of Congo</b>	6,050	435	6,485
利比亚 <b>Lybia</b>	4,801	2,452	7,252
加蓬 <b>Gabon</b>	4,639	377	5,016
刚果金 <b>Congo</b>	4,429	2,077	6,505
赞比亚 <b>Zambia</b>	3,262	970	4,232
尼日利亚 <b>Nigeria</b>	2,652	16,623	19,275
加纳 <b>Ghana</b>	2,560	4,903	7,463
几内亚 <b>Guinea</b>	2,459	1,718	4,177
<b>Total 合计</b>	<b>80,429</b>	<b>48,154</b>	<b>128,583</b>
<b>Total African 非洲合计</b>	<b>93,972</b>	<b>112,860</b>	<b>206,832</b>
<b>Trade Flow 10国占比 %</b>	<b>85.59%</b>	<b>42.67%</b>	<b>62.17%</b>

从进口数据来看，中国自非洲进口排名前十位的非洲国家依然多为非洲资源密集型国家。（编选：中非贸易研究中心）

# Has the Economic Gains Trickled Down in Africa?



- YES and NO
- Bright spots in the continent, e.g., Kenya, Senegal with economic dynamism and innovation capacities
- Countries performance determined by the social policy concerning Human Development (See UNDP HD report)
- Most of the economic systems on the continent remain informal with entrenched poverty.

# Has the Economic Gains Trickled Down in Africa? -2



- Challenge is how to accelerate the creation of enabling conditions or Michael Porter’s “national competitiveness” so that business can be created and thrive
- African Continental Free Trade Area (AfCFTA) is a critical strategy in creating greater regional market and negotiation power.
- These are areas where Business Diplomacy needs to come into play



# Needs to Build BD Capacities within African Companies & Intermediaries

- Could be a steep learning curve, similar to the Chinese companies
- Promote “partnership” orientation for a win-win and sustainable supply chain and value chain relationship

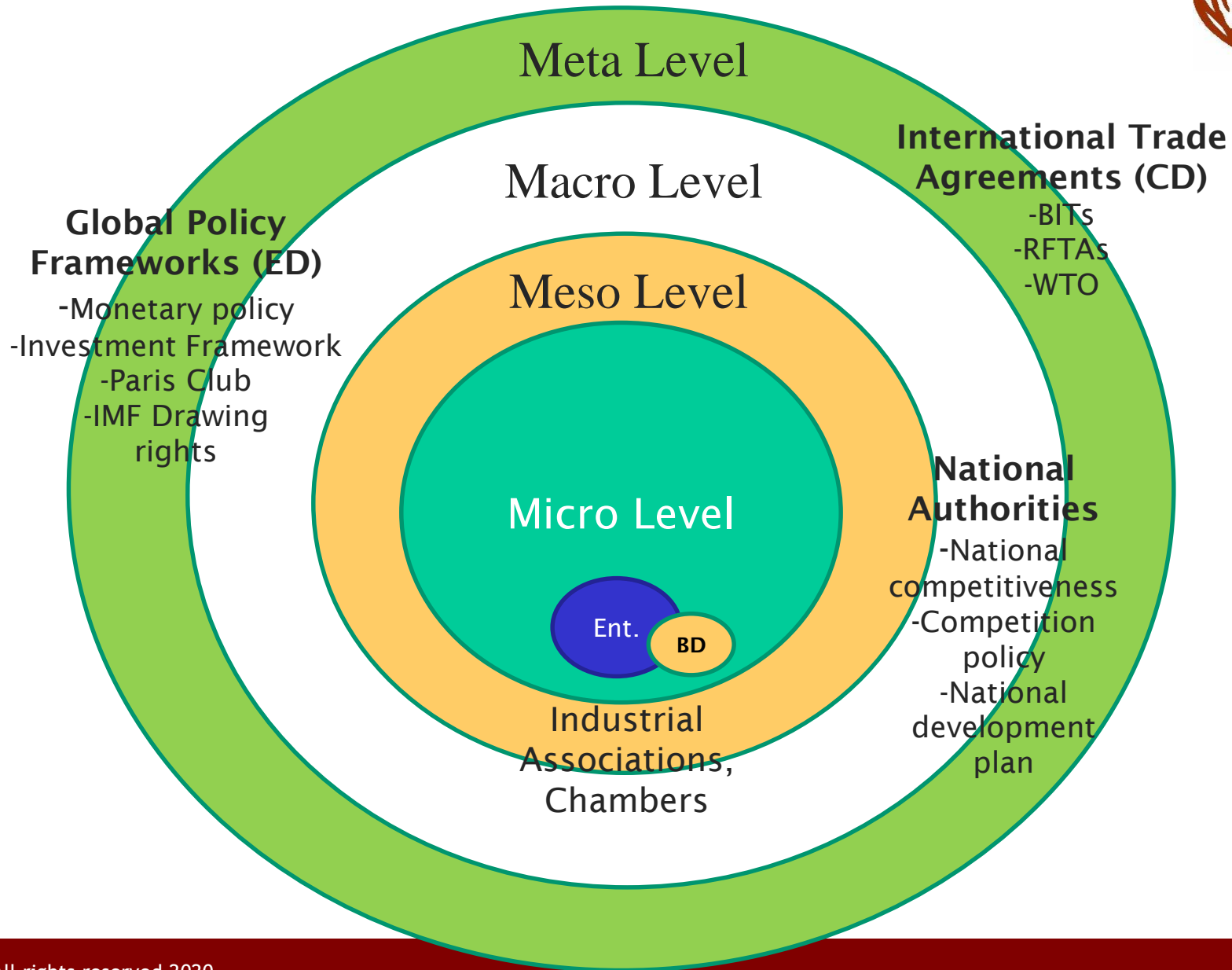
# Needs to Build BD Capacities within Chinese Companies & Intermediaries in Africa



- Could also be a steep learning curve, similar to the African companies
- Understand the obligation of CSR is not restricted to Chinese communities, but corporate citizenship in local communities is must for a win-win and sustainable supply chain and value chain relationships (even true in Europe)



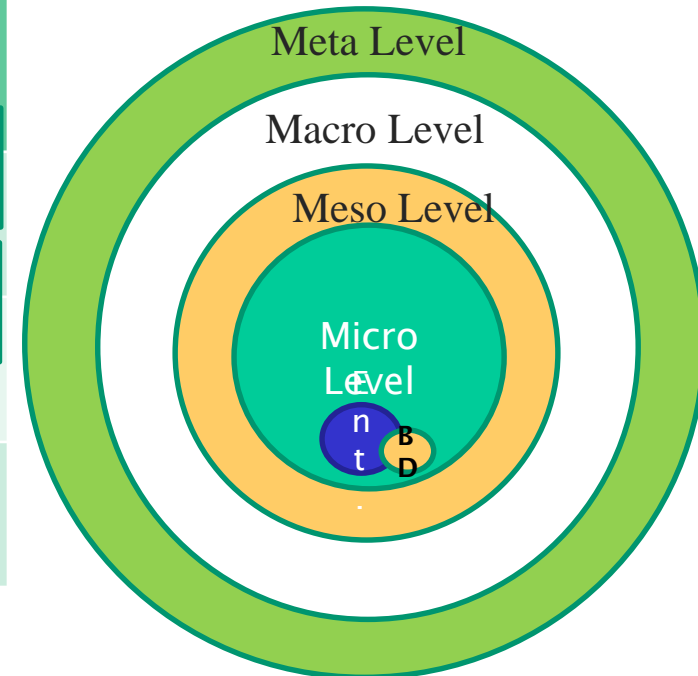
# Multi-layered Interaction



# Multi-layered Interaction



Level	Counter parts	Influencing style	Expected Outcome
Ent.-BD	Non-bus. stakeholders	Consultation & partnership	Corporate citizenship
Micro (org.)	Functional areas	Negotiation Dialogue	Management support, implementation
Meso (Sector)	companies, Associations, Chambers	Alliance building	Common ground & representation
Macro (Country)	National Authorities	Advocating, opinion making	Favourable operating conditions
Meta (Global)	IO's, UN Regions, ED, CD	Mobilising, working with ED, CD	Global policy frameworks



A scenic landscape featuring a prominent, dark rock peak in the center, partially covered in greenery. The peak is surrounded by mist and fog, which also fills the valleys and obscures some of the surrounding hills. In the background, a river flows through a valley, and a small town or village is visible on the left side. The overall atmosphere is misty and serene.

• Thank you!!



- Wherever there is a policy, Chinese companies follow. Interactions with the host countries, either the community or the labour force or suppliers, achieved mixed results. In addition to criticism of exploitation, there were also kidnapping and security problems causing loss of lives of Chinese workers.
- This contribution will be looking at the experience of Chinese companies going abroad by using the typology of Bartlett and Ghoshal and suggest that business diplomacy capability is critical for the Chinese corporation in managing its host countries business and non-business relationship. Through the successful economic diplomacy of the Chinese government, Chinese companies enjoy privileged access to local markets in Africa. However, to sustain their business engagements in Africa continent, Chinese companies will have to embed themselves in the local community as good corporate citizens and contribute to the local development and prosperity. Business diplomacy shall complement the government's economic and

# EU's Global Recovery Initiative



- The latest statistics on the state of the world economy highlight the gravity of the crisis induced by COVID-19. According to the IMF, [global GDP will contract by more than 4 percent](#) in 2020, while trade volumes are down by more than 10 percent. Per capita incomes in the vast majority of emerging markets and developing economies are expected to shrink this year, [tipping many millions back into poverty](#). Deep recessions triggered by the pandemic are already leaving deep-rooted scars, including lower investment, erosion of the human capital of the unemployed, and disintegration of global trade and supply linkages.
- [https://www.cgdev.org/blog/eus-global-recovery-initiative-paper-tiger-or-markings-geopolitical-commission?utm\\_source=201208&utm\\_medium=cgd\\_email&utm\\_campaign=cgd\\_weekly](https://www.cgdev.org/blog/eus-global-recovery-initiative-paper-tiger-or-markings-geopolitical-commission?utm_source=201208&utm_medium=cgd_email&utm_campaign=cgd_weekly)



- **While the European Commission does not hold external debt, individual EU member states do. As illustrated in figure 2, an analysis of the 2019 external debt stock for the countries eligible for the current G20 Debt Service Suspension Initiative (DSSI) reveals that EU member states collectively own at least 5 percent of the total external debt stock in only 13 out of the 68 countries reviewed and do not own a single euro of external debt in 11 other countries. EU Member States lag well behind others such as the World Bank and the IMF, China, and private creditors.**
- **China alone holds close to 15 percent of the total external debt of these 68 countries.**





# Int Inv Treaty and flow

- **No proven link between IIT and liflow.**



- **Sustainable investment protocol (UN)**
- **African continental Free Trade Agreement (55 countries)**

