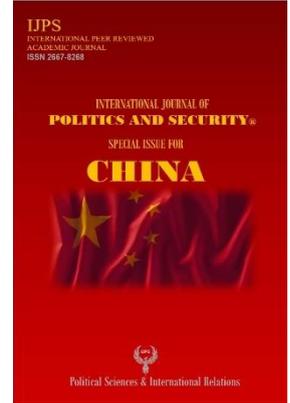


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## Bangladesh-China Economic Relations: Wolf in the Sheep's Clothing

Md. Mufassir Rashid\*

### ABSTRACT

*In the 21st century, China has invested billions of dollars across the world. Bangladesh also took Chinese loans and aids to meet demand. Recently, this relation is declared as 'strategic partnership'. One may think seeing this shift in relation, both parties may gain equally. But looking at the cases and recent developments in Chinese projects, skepticism rises that China is engaged in and prefers unequal trade relations with the relatively weaker states. Chinese project in Bangladesh also shows faulty payment, poor labor facility, impracticality, and corruption. As a result, the suspicion arises that, China is seeking more surplus in the least cost from these projects. This is one of the core characteristics of mercantilism. Authoritarian 'Communist' China's promoting liberal economy also contradicts with the ideological position. And creates a question, whether China is an ideological state or a mercantile state void of any ideology? This paper will try to understand Bangladesh-China economic relations from the neo-mercantilist perspective by looking at the transformation of China, where the root of Chinese neo-mercantilism is lying. It will also try to understand how mercantilism, an old wolf is hiding under the clothing of a sheep named 'development' and doing what it did openly in its peak time.*

**Keywords:** Mercantilism, Neo-Mercantilism, China, Debt-trap, Chinese-state

## Bangladeř-Çin Ekonomik İliřkileri: Koyun Postunda Kurt

### Özet

21. yüzyılda Çin, dünya çapında milyarlarca dolar yatırım yapmıştır. Bangladeř Çin'in bu yatırımlardan yararlanmak için ayrıca Çin'den kredi ve yardım aldı. Son zamanlarda bu ilişki 'stratejik ortaklık' olarak ilan edildi. İkili ilişkilerde yaşanan bu gelişmeler karşısında, her iki tarafın da eşit şekilde kazançlı olacağı düşünülebilir. Ancak Çin'in projelerinde yaşanan gelişmelere bakıldığında, Çin'in nispeten zayıf devletlerle eşitsiz ticari ilişkiler içine girdiği yönünde şüpheler oluşmaktadır. Ayrıca Bangladeř'teki Çin projelerine bakıldığında bu projelerin ödeme sorunları, zayıf iş gücü tesisi, pratik olmama ve yolsuzluk gibi sonuçları içerdiği de görülmektedir. Sonuçta Çin'in bu projelerden en az maliyetle daha fazla kar arayışı içinde olduğu şüphesi ortaya çıkmaktadır. Bu durum, merkantilizmin temel özelliklerinden biridir. Ayrıca otoriter "Komünist" Çin'in liberal ekonomiyi desteklemesi de ideolojik konumuyla çelişmekte ve Çin'in ideolojik bir devlet mi yoksa herhangi bir ideolojiden yoksun bir ticaret devleti mi olduğu sorusunu akla getirmektedir. Bu kapsamda, bu makalede, altında Çin'in neo-merkantilist kökenini yattığı dönüşüme bakarak Çin-Bangladeř ilişkileri analiz edilmektedir. Ayrıca merkantilizmin "gelişme" adıyla "kuzu postunda yaşlı bir kurt" olarak "en güçlü zamanlarında yaptıklarını nasıl tekrarladığı anlaşılmaya çalışılmaktadır.

**Anahtar kavramlar:** Merkantilizm, Neo-Merkantilizm, Çin, Borç tuzağı,

### 1. Introduction

In April, 2019, Bangladesh and China signed a loan agreement of 2.67 billion USD for the construction of Padma rail link project. The Exim Bank of China and a delegation of

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officials, representing the Bangladesh government, signed the agreement.<sup>1</sup> China Major Engineering Company - the dominant business - mostly involved in the China-invested projects in Bangladesh, was awarded the contract for building the bridge. Later, China declared this project as part of Belt and Road Initiative (BRI).<sup>2</sup> BRI of China is indeed a connectivity project actually facilitating its geopolitical goals for economic and political gains. The same Exim Bank is also financing a power plant and a sea port project in Payra that appears to be very lavish project for the country like Bangladesh in terms of cost and difficult location features.<sup>3</sup> The under construction Payra Power Plant is located near the Payra port that has recently experienced protests by the Bangladeshi workers over the issues of labor rights and their safety. All these projects are probably the follow-ups of the agreements of USD 20 billion signed by both Bangladesh and China during the visit of Chinese Premier Xi Jinping in 2016. This visit of Chinese Premier marked a new era of development partnership between the two countries. The current commerce minister of Bangladesh has confirmed that, in the next 10 to 15 years, Chinese investment may reach 50 Billion USD in certain “thrust” sectors that include energy, transport, and communication.<sup>4</sup> All these development may give an impression that China with surplus capital is meeting and contributing to the development need of Bangladesh and thus they are now the “development partners”. From a general perspective, it is also true that this partnership is as geo-strategically significant for a would-be hegemony China as important for Bangladesh in terms of foreign direct investment. But if one looks at the transformation of Chinese state that took place over the years and focuses on the idea of ‘Beijing Consensus’ to evaluate the nature of Chinese investments around the world, s/he would be gripped by some kind of skepticism. This skepticism must remind him or her, the famous biblical story of an old wolf hiding under the clothing of a sheep. It is in the context that under the changed circumstances and transformation China is no more an ideological state. There is no longer any ideological compulsion or stake due to the transformation of China into a “market-socialist”

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<sup>1</sup> *The Dhaka Tribune*. “Ome Bangladesh Development \$2.67Bn Loan Agreement for Padma Rail Link Project Signed” (2018). [https://www.dhakatribune.com/bangladesh/development/2018/04/27/loan-agreement-padma-rail-link-project?fbclid=IwAR2J5ICEGe1TcECTLUj-TVsJD6LTDXcC2TMvoD5CfOYU9C5JH9T28\\_nIEAo](https://www.dhakatribune.com/bangladesh/development/2018/04/27/loan-agreement-padma-rail-link-project?fbclid=IwAR2J5ICEGe1TcECTLUj-TVsJD6LTDXcC2TMvoD5CfOYU9C5JH9T28_nIEAo).

<sup>2</sup> Prothom Alo, “Padma Bridge Project Included In China’s BRI” (2019). [https://en.prothomalo.com/bangladesh/news/194588/Padma-Bridge-project-included-in-China%E2%80%99s-BRI?fbclid=IwAR3uVzh4LGw8MIUdGSv\\_pB8d2CmgXxb882GmwUD6XwKG8kenkTsaJs-5v-k](https://en.prothomalo.com/bangladesh/news/194588/Padma-Bridge-project-included-in-China%E2%80%99s-BRI?fbclid=IwAR3uVzh4LGw8MIUdGSv_pB8d2CmgXxb882GmwUD6XwKG8kenkTsaJs-5v-k).

<sup>3</sup> For instance, the construction of Payra Port will cost USD 2.6 and more importantly, due to geographical locational difficulty, the port requires high maintenance cost for the high prospect of sedimentation in the Rabnabad channel.

<sup>4</sup> *The Daily Star*. “China May Invest \$50B in 15Yrs Commerce: Minister Tipu Munshi Says”(2019). <https://www.thedailystar.net/business/news/China-may-invest-50b-15yrs-1714723>.



state with a strong tendency towards maximizing profit by reducing cost, terminating competition and exploiting demand and supply gap in the relatively weaker states. The absence of ideological compulsion of China with an authoritarian regime in power and its strong profit motive encourages us to raise a very pertinent question and the question is: is China now a different state using “development” as cloth of a sheep to hide the nature of a wolf? Can these characteristics be termed as “neo-mercantilism” - “the wolf in sheep’s clothing” - in terms of its nature of partnership with the developing countries? This paper aims to look for the answers of these questions by evaluating the nature of the partnership of China with a developing country like Bangladesh. For doing so, this paper seeks to focus on whether there are neo-mercantilist characteristics in Chinese investments in Bangladesh or not. This paper does not deny that Bangladesh does not need infrastructural development in Bangladesh or Chinese investment is not important. However, this paper assesses the mercantilist motives and discriminatory features that exist involving Chinese investments in Bangladesh.

This paper starts with the skepticism that, there are neo-mercantilist elements in 21<sup>st</sup> century China and as a result, its investment are not only because of geo-politics or partnerships or encirclement policy but also of the mercantilist outlook it has in itself which the paper aims to establish. To verify the suspicion, this paper looks into the transformation of China that took place after the death of Chairman Mao through the creation of ‘Beijing Consensus’ and the change in Chinese society after the transformation; which will reveal the birth of this ‘wolf’. After that, this paper looks into the projects of China in various countries across the world to look for ground reality of theoretical suspicion, where the ‘wolf’ may be still active under the clothing of a sheep. After that, it will examine the Bangladesh-China economic relations in specific projects and come to a conclusion whether there are neo-mercantilist elements in Bangladesh China-relations underneath development or not.

## **2. Mercantilism and Neo-Mercantilism**

### **2.1. Mercantilism**

Mercantilism is a political philosophy based on economic policies of a state. It came as a school of thought in Europe after the renaissance period. Italian scholar, Antonio Serra was one of the first people to rationalize mercantilism in 1613. In his book, ‘Short Treaties on the poverty and wealth of the nation’, Serra argued that, “*Breve trattato delle cause, che possono*



*far abbondare li regni d'oro, e argento, dove non sono miniere.*"<sup>5</sup>In English, "A short treatise on the causes that can make kingdoms abound in gold and silvers even in the absence of mine."<sup>6</sup>With the context of his time, Serra argued that, a state's economy and development is highly depended on gold and silver where the state should look for more in the outer region. For becoming Abundant in gold and silver, states should invest more in foreign lands to extract gold and silver from them. Thus, Serra modernized 'Bullionism' and gave mercantilism a philosophical and rational foundation. Where Bullionism emphasizes on hoarding the trade surplus in form of gold, silver or bullion, mercantilism emphasizes on circulating the surplus in form of investment as it will send back more surplus. Philosophy of state control over mercantilism was established largely by Von Hornick who embedded German 'Camerarism' with mercantilism. Cameralism is an early modern era German economic philosophy that believes in state control over trades and economic activities on state's benefit. Cameralism, according to Oxford dictionary, is "an economic theory prevalent in 18th-cent.Germany, which advocated a strong public administration managing a centralized economy primarily for the benefit of the state."<sup>7</sup>According to Ekerlund and Hebert, "Hornick in his book 'Austria over All, If She Only Will' in 1684, gave nine principles or advices that ultimately summed up the core principles of Mercantilism."<sup>8</sup> Thus with the state practice, European nations took mercantilist economic policies and were engaged in colonialism in 16<sup>th</sup> and 17<sup>th</sup> century. Creation of British East India Company or French East India Company is the proof of it. By dint of East India Company and promoting mercantilism, British Empire had stored a huge amount of gold and silver though they had no mine in Mainland Empire. In Mercantilism, wealth is seen as finite and Trade as zero-sum game.<sup>9</sup> According to Heckscher, mercantilism is always state centric as "it takes wealth as a basis of state power."<sup>10</sup>As it takes wealth as a basis of state power, mercantilism is highly protectionist system and it promotes export and

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<sup>5</sup> Antonio Serra. *A Short Treatise on the Wealth and Poverty of Nations* (1613) edited and introduced by Sophus A. Reinert and translated by Jonathan Hunt. London and New York: Anthem Press. 2011. Pp. viii + 260. ISBN 13:978 0 85728 973 5.

<sup>6</sup> Michael McLure "Antonio Serra. *A Short Treatise on the Wealth and Poverty of Nations* (1613)," *History of Economics Review* 56, (2012). <https://www.questia.com/library/journal/1G1-313011504/antonio-serra-a-short-treatise-on-the-wealth-and>.

<sup>7</sup> "Camerarism" *Oxford* (2019). <https://www.lexico.com/en/definition/camerarism>.

<sup>8</sup> Robert B. Ekelund and Robert F. Hébert, *A History of Economic Theory and Method* (4th ed.), Long Grove, (Illinois: Waveland Press, 1997), ISBN 978-1-57766-381-2 [https://trove.nla.gov.au/work/8469740?q&sort=holdings+desc&\\_id=1573458680397&versionId=16633105](https://trove.nla.gov.au/work/8469740?q&sort=holdings+desc&_id=1573458680397&versionId=16633105)

<sup>9</sup>"Mercantilism Definition & Examples", *Encyclopedia Britannica Inc.*(2019). <https://www.britannica.com/topic/mercantilism>.

<sup>10</sup> Heckscher Eli F., *Mercantilism*, 2<sup>nd</sup> ed. London: Allen & Unwin (1935)



discourages import. Hecksher also identified mercantilism having an affinity towards liberalism and also works as an 'Agent of Unification'.<sup>11</sup> Mercantilism plays a protectionist role in between state and individual to maximize gain.<sup>12</sup> It has a very liking towards terms like free market or Laissez-faire.<sup>13</sup> Hecksher also showed that, State is always at the center of mercantilism and encourages its citizen to maximize private gain that ultimately helps state as wealth is one of the bases of state power.<sup>14</sup> As a result from the experiences of colonies, we have seen that, in the colonies, traders used the demand of cheap products and colonial people were 'involuntarily' had to sell raw materials to the traders who went there from Europe. This experience indicates us that, mercantilism has a close affinity towards exploitation and coercion. According to Ekerlund and Hebert, The domestic policies of mercantilism is all about how to create more and more export and has a very little concern over consumption. Free time or leisure time, Extra money, Education for working class is seen as harm towards economy.<sup>15</sup>

Mercantilism dominated the economic policies in Europe from 16<sup>th</sup> to 18<sup>th</sup> Century onward. Later, it had lost its appeal due to democratization, process of equality and also because of Marxist and socialist ideas spreading in Europe. Adam Smith in his book, *Wealth of Nations*, highly critiqued mercantilism and promoted trade as 'Positive-sum game.' For Adam Smith, Trade benefits both Parties and creates 'comparative advantage' for both countries.<sup>16</sup> Thus gradually, mercantilism was eclipsed by other economic policies. But was seen acute again in 1930s, when Fascists and Totalitarians took mercantilism as their economic policy.<sup>17</sup> It is also a time when due to 'Great Depression' took place in 1929, states took protectionist policies to save and protect their jobs.<sup>18</sup> These states also reacted to 'Great Depression' with Tariffs.<sup>19</sup>

In the 16<sup>th</sup> and 17<sup>th</sup> Century, when European nations were practicing mercantilism in full swing, China did not adopt mercantilist policy at that time. According to Appel, 16<sup>th</sup> and 17<sup>th</sup> century Chinese ruler never believed in capital accumulation by high taxing. Rather they

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<sup>11</sup> ibid

<sup>12</sup> ibid

<sup>13</sup> ibid

<sup>14</sup> ibid

<sup>15</sup> Ekelund Robert B.; Hébert Robert F., *A History of Economic Theory and Method*, New York: McGraw-Hill (1975), ISBN 978-0-07-019143-3  
[https://trove.nla.gov.au/work/8469740?q&sort=holdings+desc&\\_id=1573458680397&versionId=16633105](https://trove.nla.gov.au/work/8469740?q&sort=holdings+desc&_id=1573458680397&versionId=16633105)

<sup>16</sup> Smith Adam, *An inquiry into the nature and causes of the Wealth of Nations*. Edited by S.M. Soares. Metalibri Digital Library, (29th May 2007). [https://www.ibiblio.org/ml/libri/s/SmithA\\_WealthNations\\_p.pdf](https://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf)

<sup>17</sup> Amadeo Kimberly, "Mercantilism And Its Modern Significance:Is Mercantilism Back In Vogue?". Blog, the Balance (2019). <https://www.thebalance.com/mercantilism-definition-examples-significance-today-4163347>.

<sup>18</sup> ibid

<sup>19</sup> ibid



discouraged merchant or finance capital.<sup>20</sup> The government did not uphold the merchant class because government was not relying on the merchant class due to a unique fiscal policy where taxation was relatively low.<sup>21</sup> Government maintained relatively low military expenditure as it placed itself in such a context where it did not have concern over many enemies.<sup>22</sup> Due to this peaceful existence, known as ‘*Pax Sinica*’ or ‘Chinese peace’, governance was very cheap in China.<sup>23</sup> As a result, virtuously, mercantilism had a trifling influence in early modern China.

In 1940s, with Allied power winning the Second World War and with the democratic values and liberalism spreading all over the world, we saw Mercantilism as ‘economic nationalism’ highly influencing modern state and their economic policies as most of states took the policy of strengthening nation by foreign reserve or simply by depending on export. Again it became a zero-sum game where newly formed states or de-colonial states depended upon them to meet their demand for cheap products. Multinational Companies (MNCs) and private enterprises flourished all over the world and became merchants for the respective states. State created tight economic policies that private and capital owners followed and these capitalists enjoyed state protection and security and brought surplus back home. States started using protectionism and currency controlling to ensure their strong economy which is very much like pre-state era mercantilism. According to Kreijger, “The methods [mercantilist] are subtler in the 21<sup>st</sup> century than 300 years ago, but the federal government's objectives are the same.”<sup>24</sup> These pursuits ended up creating a new economic rivalry where war became very unpopular among great powers rather they started to check and counter check based on economy and business. According to Krickovic, “*States adopt a range of neo-mercantilist strategies in order to ensure that they are the ones that benefit most from the open world economy. Economic concerns may be taking priority over security concerns, as the prospects of military confrontation between states may have greatly diminished because economic integration makes it prohibitively costly.*”<sup>25</sup> Here, Open world economy refers to neo-liberal economy based on

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<sup>20</sup> Appel Tiago N., "Why Was There No Capitalism in Early Modern China?" *Brazilian Journal of Political Economy* (2017) 37: 167-188. doi:<http://dx.doi.org/10.1590/0101-31572016v37n01a09>.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Kreijger Gilbert, "Promoting Trade: Germany First: The Return of Mercantilism". *Handelsblatt.Com* (2017). <https://www.handelsblatt.com/today/finance/promoting-trade-germany-first-the-return-of-mercantilism/23570190.html?ticket=ST-9301475-AVqvSybGaZjbsfiqsGRN-ap1>

<sup>25</sup> Krickovic Andrej, *Power and Plenty in the 21st Century: Neo-Mercantilism in Russia and the Rising Powers* (2016). <https://publications.hse.ru/en/chapters/139375196>



free market. Most states are now seen promoting free market as a part of their foreign policy that would help them to expand their market but are seen imposing strict import mechanism. Thus the rebirth of mercantilism took place as ‘Neo-mercantilism’ in a modern world.

## 2.2. Neo Mercantilism

Neo-mercantilism is the modern version of mercantilism. It is a 20<sup>th</sup> century economic philosophy that emphasizes heavily on increasing export, least import and centralizing currency decision. While Mercantilism put emphasized on trade surplus to be abounded with gold and silver, in modern days, neo mercantilism emphasizes on ‘foreign reserve’ and increasing foreign reserves to have better socio-political advantages. Neo-mercantilism was taken by USSR and China after the WWII, as they opposed globalizations. According to Amadeo, *“The Soviet Union and China continued to promote a form of mercantilism. The main difference was that most of their businesses were state-owned. Over time, they sold many state-owned companies to private owners. This shift made those countries even more mercantilist. Neo-mercantilism fit in well with their communist governments. They relied on a centrally-planned command economy. It allowed them to regulate foreign trade. They also controlled their balance of payments and foreign reserves.”*<sup>26</sup> Neo-colonialism has a very much liking towards neo-liberal institutionalism. Neo-mercantilism has a tendency to overlook political and ideological similarities or dissimilarities rather look for business partnership only that transforms into political gain ultimately. According to Farnsworth, With the context of China’s neo-mercantilist relation with Latin American states, who are mostly the ‘backyards of USA’, shows us that, in this region, *“China promises only commercial relationship without political or policy interference.”*<sup>27</sup> Farnsworth also elaborated that, China has a very little concern over issues like promoting quality of labor, equal rights, wages, and environmental safety. Rather they are concerned with natural resources and energy sector of this region.<sup>28</sup> With Farnsworth’s coining this case study as a neo-mercantilism, one can say that, Neo mercantilism has the same characteristics exploitation and coercion as mercantilism. Neo-mercantilism highly emphasizes on currency valuation to ensure stronger economy. The transformation of China as a state that will be examined in the next part of China will also show that, China internally is very

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<sup>26</sup> Ibid.

<sup>27</sup> Eric Farnsworth, “New Mercantilism: China’s Emerging Role in the Americas.” *Current History*, (2011): 56–61, <http://www.faculty.bemidjistate.edu/mlawrence/Farnsworth.pdf>.

<sup>28</sup> Ibid.



authoritarian state where state amalgamated with a capitalist class which maintains strict control over everything imposing strict import mechanism. At the same time, this same China externally promotes free market economy and calls for ‘neo-liberal’ economy that mainly helps to expand its market. Again, China is ruled by Chinese Communist Party (CCP) which calls this system ‘Market Socialism’. These findings totally fit Krickovic’s and Amadeo’s arguments mentioned above and gave China ‘neo-mercantilist’ characteristics.

Neo-mercantilism can be seen as the modern version of mercantilism that best fits in present context. This paper is going to examine China and Bangladesh’s economic relations using this mercantilist framework.

### **3. China as a State: Transition from Socialism to Mercantilism**

This section of this paper is to understand China as a state and its shift in ideology. The history of China as a state dates back to thousands of years, which with the course of time generated philosophies such as ‘Confucianism’, ‘Taoism’ and legalism. But China as a modern state and the China ‘we know’ can be identified as ‘Chairman Mao’s China’ and onward.

Mao Zedong and his ‘comrades’ established Chinese Communist Party (CCP) in 1921. This party struggled for a long time and ultimately took over the China and transformed it into a communist state in 1949. In a communist state, ‘Chairman Mao’ was highly anti-capitalist under whose rule; capitalists didn’t have that much political affiliation. Mao ran his revolution with the support from rural people and the working class. So, his revolution was mainly against the ‘Nationalists’ who believed and practiced capitalism. According to Yang, “When the civil war was approaching its end, some prominent figures of these capitalist parties had already become ‘friends’ of the Communists, while the vast majority of the capitalists had no clue of what was happening.”<sup>29</sup> Thus in the new time, under Mao, capitalists were marginalized in mainstream politics and were seen as exploiters. But again, in the newly formed coalition government at that time under Mao was also consisted of many ‘non communists’ in high rankings. Mao also understood that, in his regime, relation between CCP and Capitalists will be a challenge for him. In a meeting in 1949, According to Yang, “Mao told his senior members of staff that the relationship between the CCP and the representative delegates of the capitalist class would be the most important political challenge.”<sup>30</sup> For Mao, Managing Capitalism was a

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<sup>29</sup> Yang Keming, *Capitalists in Communist China*. 1st ed. (London: Palgrave Macmillan, 2013), 29.

<sup>30</sup> *Ibid*, 34.



dilemma because, at the same time, CCP needed the factories and works to run perfectly and maintaining their ideology. So, CCP allowed the ‘petty bourgeoisies’ to continue their activities at the same time, CCP also had concern for the workers. There were even tensions between the CCP leaders over this issue. This can be understood from the comment made by Liu Shaoqi in the context of a looting and taking away capitalists wealth in Tianjin. Lui Shaoqi said, “Today, the capitalist exploitation is not a crime; on the contrary, it deserves credits”.<sup>31</sup> This created confusion and ideological debate among the leaders. Another big step Mao took was the ‘Five Antis’ campaign to eliminate capitalism gradually from China. Through this campaign, five things were marked as ‘Anti-state’ and ‘Tax evasion’, ‘Bribery’, ‘Cheating’, Theft of state property & stealing state economic intelligence were the five antis. So, if CCP wanted to eliminate capitalists, why did the dilemma took place that mentioned earlier? It is because at that time, in CCP’s early time, they needed the capitalists and their establishments to have a functioning economy. According to Richman, There are many reasons. CCP needed old capitalist’s experiences, knowledge of running business, skills, wealth.<sup>32</sup> On the other hand, existing capitalists would also lead the people to continue their fight which would be very much helpful for the new regime.<sup>33</sup> Under Mao’s regime, it was also prohibited for CCP members to have affair with capitalists, or taking bribe or leading a luxurious life under ‘Three Antis’ campaign. This shows us that, Mao Zedong and CCP during his time was completely socialist and marginalized capitalism.

While Mao was in power, He created ‘State owned Farm’ to marginalize ‘private ownership’. In his time, state owned farms were dominant in the economy. But after the death of Mao in 1976, Deng Xiaoping came into power. After coming to power, China was in an economic stagnation and lacked money. Deng wanted to come over Mao’s domination and replace ‘class struggle’. So he started to sideline hardliners and loyalists of Mao. Deng’s activities can be best understood if we look closer to his ideology. According to Kim and kim, “Deng had no fixed ideology. Rather he believed in achieving goal. For him, the cat doesn’t matter as long as it catches mice.”<sup>34</sup> Deng also had the dream of ‘growth at all cost’.<sup>35</sup> Deng

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<sup>31</sup> Ibid, 35.

<sup>32</sup> Richman Barry M., *Industrial Society in Communist China*. (New York: Vintage Books 1969), 912. <https://www.questia.com/library/420191/industrial-society-in-communist-china>

<sup>33</sup> Ibid.

<sup>34</sup> Kim Yong-ok, and Jung-kyu Kim, *Great Equal Society, the: Confucianism, China and the 21St Century*. London: World Scientific (2013).

<sup>35</sup> Ibid.



also had a different view on multi party election. So he banned it and placed CCP and handful of its coalition to run the state which is very much different than western democracy. Till today, we see China is run by several politburos and a premier who heads them under the guidance of the 'Beijing Consensus'. The 'Beijing Consensus' is the political and economic policy introduced by Deng.<sup>36</sup> Through this consensus, Deng transformed China's economic and political policies. The transformation economic policy was mainly liberalist and it facilitated the capitalists who were marginalized before. Deng called for 'No Debate' on whether it was socialist consensus or liberal in nature. Rather it was seen as the 'Commitment' for economic recovery at that time. According to Yang, it was the revival of capitalist China once again.<sup>37</sup> Deng argued that this facilitating capitalism will not bring demise of CCP rather it will enhance their legitimacy as according to Deng, "Wealth will go first to the nation then to the people, so no new capitalist class will emerge".<sup>38</sup> However, according to Yang, Deng didn't explain how it will happen.<sup>39</sup> So it was mainly a rhetoric and coercion to suppress the anti-capitalists argument. However, Capitalists slowly grew in communist China under the reform, and due to lack of a long term tax policy not yet today, and corrupted enforcement of tax law changed egalitarian Chinese society to one of the most unequal society within 30 years.<sup>40</sup> Deng administration also removed the tag 'Capitalist' and 'Exploitation' from political vocabulary, rather emphasized that, they [Capitalists] live on their own work like others in China.<sup>41</sup> Deng wanted to remove the antagonism toward capitalism as he wanted to uphold them for faster economy. According to Yang, it is an irony that, "exploitation becomes the very mechanism [in China] through which economic reconstruction is to be realized."<sup>42</sup> Gradually, private enterprises started to grow alongside public enterprises owned by state. From 1980s to 2002, private enterprises flourished in China dominating both the national market and international market. In 1989, 90000 private enterprises were working in China employing 1.4 million workers.<sup>43</sup> In 2003, 12% of total workforce was working for the private enterprises and today,

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<sup>36</sup> Beijing Consensus is also known as 'The china model (of development)'. Though many scholars argue there are differences between Beijing Consensus and China Model, the author acknowledges their efforts but doesn't share the same belief. This Paper takes Beijing Consensus and China Model as the same concept.

<sup>37</sup> Yang Keming, *Capitalists in Communist China*. 1st ed. (London: Palgrave Macmillan 2013), 50.

<sup>38</sup> Ibid, 51.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Yang Keming, *Capitalists in Communist China*. 1st ed. (London: Palgrave Macmillan, 2013), 54.

<sup>43</sup> Ibid, 56.



the number has reached around 70%.<sup>44</sup> This implies that, China had gone through a huge privatization in the meantime. This wasn't possible without Deng's supervision on Capitalism. 'Tiananmen Tragedy' is another proof of this claim. In Tiananmen, Students protested over capital accumulation, high price of commodities and mass poverty. But Deng took the side of capitalist because at that time, according to Gilder, "China was in a stagnant and CCP needed to control the money supply."<sup>45</sup> So, Deng had to at the same time accommodate and amalgamate capitalist to the system to ensure CCP's superiority. Surely, this was never a Marxist or liberal ideology rather it was void of any ideology rather has a close tie to regime survival.

For the Capitalists, It was a must to have some sort of political power or influence as according to yang, "One simply cannot have access to valuable opportunities and resources desperately needed for developing a big business without establishing and maintaining close relations with government officials because all the essential resources – land, financial credit, administrative permission, and so on – are in their hands. For many large projects, although the entrepreneur may do the actual management, it is the politician who decides on what can be done and even how it should be done."<sup>46</sup> As Business owners dominated the market, the government-business owner relation became heavily biased towards the businessmen.<sup>47</sup>

Amidst all these, Wealth was being 'concentrated' to handful of people. CCP for its politico-economic survival had to tilt toward these businesses which created 'symbiotic' relation conflicting to its ideology; where CCP facilitating trade and commerce in favor of capitalist. Interestingly, it was not kept a secret. It was happening openly. Zemin, Deng's successor even called them as 'Contributor to socialist mission' and welcomed them to join the CCP.<sup>48</sup> Thus with the joining of these capitalists in CCP, there created a nexus between CCP, wealth and privatization. Businessmen turned into politician and changed the culture of politics. According to Yang, Unlike USA where politicians are fulltime politician, in China being a CCP member was a part-time job.<sup>49</sup> As the state's main concern shifted from ideological position to a business mindset, CCP membership had become a symbol of recognition rather than any

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<sup>44</sup> Ibid.

<sup>45</sup> George Gilder, *The 21st Century Case for Gold: A New Information Theory of Money*. American Principles Project (2015), 14.

<sup>46</sup> Yang Keming, "Capitalists in Communist China." 69.

<sup>47</sup> Ibid, 70.

<sup>48</sup> Yang Keming, "Capitalists in Communist China." 56.

<sup>49</sup> Ibid, 77.



political power.<sup>50</sup> And as a result, according to some academics, Chinese politicians now join CCP only to promote and ensure better business where they should have higher aims.<sup>51</sup> Even, in August 2003, CCP gave a memorandum inviting and urging all local party offices to set up party cell in private enterprise.<sup>52</sup> Even after a conference in 2003, specifically aimed, they required that, at least 50 people working in a private enterprise must have CCP membership and for every 100 member, must form a committee.<sup>53</sup> Which means, to continue business or set up enterprise, one must be under the influence of CCP, otherwise it won't be easy to run business. According to Lin, "68 per cent of China's non-state enterprises had set up party cells by the end of 2016, and that 70 per cent of foreign-funded firms in China had also done so."<sup>54</sup> Lin also showed that, "more than 94 per cent of private entrepreneurs believe it's useful to have connections to government but fewer than 4 percent care about the party's development."<sup>55</sup> This clearly shows that, CCP and the state only concerned over economic activities. CCP makes sure that, all economic activities are under its control and CCP is highly motivated in economy as it is influenced by businessmen working as 'Part time' politicians.

As a result CCP, Capital and business nexus creates a regime that is only concerned about profit or surplus and void of any ideology. According to Kim and Kim, "Aside from the Leninist dictatorship, its socioeconomic system is now so far removed from communism that some people refer to it as "party-state capitalism."<sup>56</sup> According to McGregor, "In early 2000, CCP even considered to remove 'Communist' from their party name."<sup>57</sup> Again, this regime is not representing whole of China. According to Xia, "CCP is the largest political organization of the world with member of 68 million; but only accounts for 5% of total Population."<sup>58</sup>

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<sup>50</sup> Ibid, 78.

<sup>51</sup> Ibid, 81.

<sup>52</sup> Ibid, 86.

<sup>53</sup> Ibid.

<sup>54</sup> Zhang Lin, "Chinese Communist Party Needs To Curtail Its Presence in Private Businesses," *South China Morning Post* (2018). <https://www.scmp.com/economy/China-economy/article/2174811/chinese-communist-party-needs-curtail-its-presence-private>.

<sup>55</sup> Ibid.

<sup>56</sup> Young-Oak Kim and Jung-Kyu Kim, *Great Equal Society, the: Confucianism, China and the 21st Century*. (London: World Scientific, 2013), 72.

<sup>57</sup> Richard McGregor, 2011. In, Yang Keming, *Capitalists in Communist China*. 1st ed. London: Palgrave Macmillan UK(2013)

<sup>58</sup> Ming Xia, "The Communist Party of China And The "Party-State"," *New York Times* (2019). <https://archive.nytimes.com/www.nytimes.com/ref/college/coll-China-politics-002.html>.



Thus this regime created an authoritarian ‘classist state’ which is run by private enterprises and their owners, who suppresses the society and creates a neo-mercantilist state which is only concerned about maximizing profit to become the leading economy in the world.

As a result, China’s neo-mercantilist nature can be traced in both domestic policy and foreign policy. In the domestic economy, concern over product safety, quality of labor etc. shows the mercantilist nature of China in its domestic policy.

**a. Product safety concern** is very little in China. There are cases, where only a ninth grade educated merchant is running a chemical business or a tailor is running chemical factory. Reports claimed, due to lack of proper knowledge about when medicine are made, people died in finest hospitals of China. According to Kim and Kim, “Another incident took place in 2007. In panama, 145 people died from unknown poisoning. When Centre for Disease Control of USA investigated, they found glycerin made in China caused it. Manufacturer of China didn’t even have a license for pharmaceuticals.”<sup>59</sup> There are a lot of incidents and the end product China sells are not the best of quality rather they are very bad in product safety. These indicate that, there is a little concern for the owners and the state for product safety; rather they are busy in making profit.

**b. Labor condition** in China is very poor. Incidents show that, the standard cost of labor is very little. Enterprises don’t have health concerns and labors are forced to leave in case of major diseases. Interestingly work environment and safeties are not ensured also. Workers who work in toxic chemical related factories are exposed to these toxins and after years of service, when they are sick, there is no space for them in it. According to Harney, around 200 million workers in China are exposed to unsafe work environment.<sup>60</sup> Harney also showed that, there is zero transparency and remains a ‘gold-rush’ environment when it comes to cheap products. This is a very common characteristic of mercantilism where the labor cost is kept as little as possible to gain more surpluses. According to Yang, the dispute between owners and workers has increased over the year in private enterprises. In the state owned Enterprises, the main reasons of disputes were “with changing or terminating employment contracts.”<sup>61</sup> According to Yang, “The Department of Labor of China’s national government conducted a

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<sup>59</sup> Young-Oak Kim and Jung-Kyu Kim, “*Great Equal Society, The: Confucianism, China And The 21St Century*” 62.

<sup>60</sup> Alexandra Harney, *The China Price*. Penguin Press HC (2008). [https://www.goodreads.com/book/show/1815706.The\\_China\\_Price](https://www.goodreads.com/book/show/1815706.The_China_Price)

<sup>61</sup> Keming Yang, *Capitalists in Communist China*. 1st ed. (London: Palgrave Macmillan 2013), 158.



survey on 18,310 private enterprises in 2003 and found that 15 per cent (or 3,056 firms) did not pay their employees with the full amount or not on the scheduled dates; in one of the places, only half of the studied firms paid their employees monthly, the rest paid either quarterly, biannually, or even annually.” Factories also do not follow the legal work hour limit weekly or monthly. According to Yang, “Another problem is that many new capitalists paid their workers by the number of completed pieces rather than the number of working hours.” In one sentence, the labor condition in China is very poor and exploited by the enterprise owners that also reflect neo-mercantilist nature.

**c. Environmental concern** is another domestic aspect where China is very indifferent. Due to huge industrialization and no concern for proper waste management, China is experiencing air pollution, water pollution. Big cities are covered in smog and industrialists have no fund or concern for their role in this pollution. This is another aspect of neo-mercantilism that, though it is responsible for the problem, but will not have any concern over it.

Apart from these, there are also questions about the living condition, wage gap and employee’s welfare concern in China. These clearly indicate that, in the domestic policy China is heavily mercantilist to ensure their highest output with lowest input.

Foreign policy of China is highly mercantilist in many senses. China promotes free market economy and neo-liberal economy in its foreign policy despite being a very closed and state controlled society internally. Farnsworth in the Latin American context also gave a brilliant example of Chinese mercantilism.<sup>62</sup> That region was mainly USA’s backyard in the sense that USA had political affinity in there. But when China came in that region, China didn’t have concern about their political identity. Rather according to Farnsworth, “China promises only commercial relationship without political or policy interference”.<sup>63</sup> Farnsworth also pointed out that, like all other region, China is also interested in natural resources and energy sector in this region.<sup>64</sup> Here, China has a very little concern for promoting quality of labor, environmental protection, equal wage and human rights. By pointing out these economic

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<sup>62</sup> Farnsworth, Eric, “New Mercantilism: China’s Emerging Role in the Americas.” 56–61.

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.



imbalances and no ideological relation, Farnsworth explains this relation as ‘New mercantilism of China’.<sup>65</sup>

On the other hand, in the field of Aid politics, China uses ‘supplier’s credit’- an economic term to maximize its profit. According to China’s supplier’s credit, Countries must rely on Chinese materials for development projects with the help of Chinese companies; which implies, materials must be brought from only China alone. The development projects must be done by Chinese companies. The payment method is also unique and heavily protectionist in nature.

China’s current foreign policy, based on Beijing consensus, promotes export and discourages import. Though internally it is an authoritarian state, it promotes free market and liberal economic policy which is very much contradicting. And profit oriented. Again, recent debt traps took place around the world and China’s took over of infrastructure affecting sovereignty directly is another example of Chinese neo-mercantilist foreign policy.

From the discussion above, this section of this paper concludes that, China after the economic transformation has gradually become a mercantilist state abandoning its ideology. Therefore, it’s domestic and foreign policy reflects mercantilist characteristics.

#### **4. The Mercantilist Nature of Chinese Foreign Trades and Investments**

The mercantilist nature of Chinese foreign trades and investments can be understood through the Chinese investments in various regions. To understand the mercantilist nature of Chinese foreign trades and investments, we need to revisit issues and cases around the globe.

##### **4.1. Regional Trade Agreements**

From 2005 and onwards, China’s regional trade agreements show some unique patterns. China prefers bi-lateral agreements as it is easy to dominate the weaker states to pursue in signing China’s preferred model. Though in many regions, China signed agreements multilaterally. In many cases, China is accused of being ‘currency manipulator’. In many cases, China is accused of keeping artificially low exchange rates to create more surplus.<sup>66</sup> According to Whalley and Li, China doesn’t follow the basic form of trade agreements, ‘One size fits all’.<sup>67</sup>

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<sup>65</sup> Ibid.

<sup>66</sup> John Whalley and Chunding Li, "China’s Regional and Bilateral Trade Agreements," VOX, CEPR Policy Portal," *Voxeu.Org* (2014). <https://voxeu.org/article/China-s-regional-and-bilateral-trade-agreements>

<sup>67</sup> Ibid.



Rather China depends on negotiation skills of its officials and the relative power gap between the parties to have upper hand in agreements. As a result, the terms and agreements vary from region to region. Whalley and Li also showed that, by using these trade agreements, the current tariff around the world for China is average 10% and it is also helping China to be in the upper hand.<sup>68</sup> These also shows the mercantilist nature of Chinese economic policy where China never loses.

#### 4.2. Belt and Road Initiative

Belt and Road Initiative (BRI) is another important concern for Chinese foreign policy in 21<sup>st</sup> century. BRI aims to connect around 152 countries by roads and ports from Africa to Europe via Asia including pacific region. According to EBRD, BRI has five major Priorities.<sup>69</sup> They are: policy coordination, Infrastructural connectivity, undisrupted economic activities, financial integration and connecting people.<sup>70</sup> BRI now has 130 countries signature and around 70 countries are already in the process of building the facilities. BRI is worth 140 billion USD and the Chinese intention is to expand market and reduce transport cost at the same time. Interestingly, from democracy to authoritarian, from capitalist to socialist, China has included parties around the world even the war torn states in BRI. This shows no ideological ground in BRI rather reflects economic ground only, which is very much unlikely for a 'Communist' state like China.

#### 4.3. Investment in Montenegro

The 'Bar-boljare' highway in Montenegro is very impractical in sense of its population and toll charge. According to Reuter's news, "Average 22000-25000 traffic is needed in this highway daily to meet the loan repayment where it hardly crosses 6000 traffic a day."<sup>71</sup> As a result, Montenegro's debt-GDP ratio has declined to 59% in 2019.<sup>72</sup> As a result, Montenegro is facing severe loan repayment crisis that may lead the country to the infamous 'Debt trap'.

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<sup>68</sup> Ibid.

<sup>69</sup> "Belt and Road Initiative (BRI)," *European Bank for Reconstruction and Development* (2019). <https://www.ebrd.com/what-we-do/belt-and-road/overview.html>.

<sup>70</sup> Ibid.

<sup>71</sup> Noah Barkin and Aleksandar Vasovic, "Chinese 'Highway to Nowhere' Haunts Montenegro". *Reuters* (2018). <https://www.reuters.com/article/us-china-silkroad-europe-montenegro-insi/chinese-highway-to-nowhere-haunts-montenegro-idUSKBN1K60QX>.

<sup>72</sup> Valerie Hopkins and James Kynge, "Montenegro Fears China-Backed Highway Will Put it on Road to Ruin", *Financial Times* (2019). <https://www.ft.com/content/d3d56d20-5a8d-11e9-9dde-7aedca0a081a>.



#### 4.4. Investment in Kenya

According to Chinese global investment tracker, China has invested around 16.43 Billion USD mostly in Energy and connectivity. One of the major project is the Mombasa-Nairobi rail project which will cost 4 billion USD loaned by China in 2017. According to Mungai, the project was passed without any Environmental Impact Assessment.<sup>73</sup> Environmental Impact Assessment is a legal binding in Kenya.<sup>74</sup> Again, this project, known as Standard Gauge Railroad (SGR) is also accused of being overpriced and highly corrupted.<sup>75</sup> This railroad will mostly benefit China as it connects port of Mombasa to capital, Nairobi. According to Mlambo, “Which [it] will be easy to move Chinese goods to Nairobi.”<sup>76</sup> Mlambo made such remark because, according to him, in 2016, China has taken over the domestic market of Kenya by 5 billion USD export compared to only 780 million USD US export. So, One can easily argue that, China is loaning Kenya to build a railroad that will mostly help China to cut its export cost to Kenya; and at the same time, using the influence of this railroad project to sideline other exporters by increasing China’s own export. It is a very win-win situation for China where Kenya is being dependant on China gradually.

Then again, according to Dhar, the heavy increase of debt also had ‘havoc on Kenyan society.’<sup>77</sup> Government had to freeze commercial banking and loan for general people became scarce to pay debt to China.<sup>78</sup> According to Dhar, There is growing inequality where a handful people are only profiting and poverty is rising among the mass people as Kenya is caught between debts.<sup>79</sup> China in the last few years also stopped its debt forgiveness as it doesn’t want to be in loss. Right now, Kenya is about to lose port of Mombasa and container depot at Nairobi.

#### 4.5. Investment in Zambia

In Zambia, China has invested 17 billion USD. Zambia is rich with natural resources especially with copper. China has invested in natural resources of Zambia where according to Mlambo, miners are very much suffering due to inhuman treatments. As a result, price of metal

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<sup>73</sup> Richard Mungai, "Is China Railroading Kenya Into Debt?" *South China Morning Post* (2016). <https://www.scmp.com/week-asia/geopolitics/article/2026152/China-railroading-kenya-debt>.

<sup>74</sup> "Kenya- ELAW"(2019). *Elaw.Org*. <https://www.elaw.org/eialaw/kenya>.

<sup>75</sup> Richard, Mungai, “Is China Railroading Kenya Into Debt?.”

<sup>76</sup> Victor, Mlambo, “Exploitation Dressed in a Suit, Shining Shoes, and Carrying a Suitcase Full of Dollars: What Does China Want in Africa?” *Journal of Public Affairs* (2019). <https://doi.org/https://doi.org/10.1002/pa.1892>.

<sup>77</sup> Shushovon Dhar, "Kenya: Caught Between Debt And Political Indifference," *Cadtm.Org* (2019). <https://www.cadtm.org/Kenya-caught-between-debt-and-political-indifference>

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.



is also rising in Zambia which has second largest reserve of metals in Africa. On the other hand, debt is rising on Zambia. Zambia has already lost airport to China. According to Van Webmaster, China also owns 60% of national television of Zambia which is why China can control what to show and what to not.<sup>80</sup>

#### 4.6. Investment in Djibouti

Chinese investment in Djibouti is around 1.62 billion USD till today all on connectivity. On the other hand, China's first foreign military base is situated in Djibouti. Djibouti is one of the poorest states of Africa that had to facilitate seven state's military bases in its soil including China. Chinese base is controlling the Doloreh port of Djibouti which is strategically very important for trade routes. Through this port, Chinese goods enter in this region. Question may arise in mind why do China needs its military base here if it doesn't have ambition over expansion or military confrontation as mentioned before. According to Opiyo, "China justifies its base as a mean to fight pirates and for humanitarian work and emergency evacuation."<sup>81</sup> This implies that it is mainly for logistical purpose. On the other hand, according to Zheng, "This military base is partly founded and run by China Merchant Holding, a state owned company."<sup>82</sup> This subordination of military base under a commercial company raises the question whether the base is not only controlling a strategic location, or it is also serving the protection and capturing market for the company. This relation can be understood as 'Economic Militarism' which implies the use of military power or expenditure to safeguard and capture market. On the other hand, this unique situation where military base is partly founded and run by a state owned company also shows the motive of China is also to ensure monopolistic ambition over Djibouti. According to Opiyo, the plans of economic zones of Djibouti are passed and they will also be run by China, which is expected to create around 50000 jobs by 2025.<sup>83</sup>

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<sup>80</sup> Van Webmaster Berichten, "China to Take over Zambia's International Airport for Debt Repayment," *Green World Warriors* (2019). <https://greenworldwarriors.com/2019/03/14/China-to-take-over-zambias-international-airport-for-debt-repayment/>.

<sup>81</sup> Opiyo Levin, "Djibouti, A Strategic Trade Hub Sinking in Chinese Debts," InsideOver (InsideOver, 2019), <https://www.insideover.com/economy/djibouti-a-strategic-trade-hub-sinking-in-chinese-debts.html>

<sup>82</sup> Sarah Zheng, "China's Djibouti Military Base: 'Logistics Facility', or Platform for Geopolitical Ambitions Overseas?" *South China Morning Post* (2017). <https://www.scmp.com/news/China/diplomacydefence/article/2113300/Chinas-djibouti-military-base-logistics-facility-or>.

<sup>83</sup> Opiyo Levin, "Djibouti, A Strategic Trade Hub Sinking in Chinese Debts,".



Apart from all these, according to Mlambo, there are also reports on illegal gold mining by the Chinese companies in West Africa and Ghana that are accused of destroying the environment and polluting the water sources.<sup>84</sup>

#### 4.7. Investment in Sri Lanka

China played a huge role in solving the civil war in Sri Lanka. After the war was over, China was given many construction related projects by the Government. Later China also financed Hambantota port which was built under Chinese Construction Company. From 2005 onward, China invested 13 billion USD in Sri Lanka. 5.88 Billion of this investment was spent on connectivity mostly on port of Hambantota and roads. But in 2017, Sri Lanka fell short and had to give the port as lease for 99 years to China. Hambantota case has similarity with Montenegrin road case as it was also an impractical project. According to Hillman, “only 175 cargo ships arrived in [Hambantota] 2017”<sup>85</sup>. This is a very poor number to meet the loan payment. Hillman also shows that, interestingly, on the day of handover, Chinese officials took it triumphantly.<sup>86</sup> They also tweeted expressing it as “another milestone in the path of #BeltandRoad.”<sup>87</sup> According to Hillman, Hambantota project had interest rate of 6% which was very high, where from other sources; Sri Lanka could get on 2%-3%.

#### 4.8. Prison Worker

China is also accused of using its prisoner as worker in foreign projects all over the world. Prison population became a huge problem in China. According to Chellaney, from port building in Hambantota to real estate in Maldives, all had prison workers working in these projects.<sup>88</sup> This helps companies to keep local workers ‘bare minimum’.<sup>89</sup> Prison worker in foreign projects not only solves huge prisoner problem but also is a cheap labor force. As they have a very little voice over rights, it is easy to cut cost by denying proper work condition.

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<sup>84</sup> Victor Mlambo, “Exploitation Dressed in a Suit, Shining Shoes, and Carrying a Suitcase Full of Dollars: What Does China Want in Africa?” *Journal of Public Affairs* (2019). <https://doi.org/https://doi.org/10.1002/pa.1892>.

<sup>85</sup> Jonathan Hillman, “CSIS,” Center for Strategic and International Studies (2018). [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180717\\_Hillman\\_GameofLoans.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180717_Hillman_GameofLoans.pdf).

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

<sup>88</sup> Brahma Chellaney, “China's Newest Export: Convicts.” *The Guardian* (July 29, 2010). <https://www.theguardian.com/commentisfree/libertycentral/2010/jul/29/China-export-convict-labour>.

<sup>89</sup> Ibid.



On the other hand, according to Leng, there are evidences of exporting prison goods even to stores such as Walmart.<sup>90</sup> According to Leng, there is a case where a Chinese merchant was fined as he used prison labor to build metal clips in 2001.<sup>91</sup> On the other hand, according to Warren, illegal means and commercial use of prisoners are taking place in China where commodities produced by prisoners are also being exported.<sup>92</sup> According to China's law, it is illegal to export prison goods or labors which shows how law enforcement is turning a blind eye for the sake of economic gain.

#### 4.9. Environmental Issues in Investment

China invests big amounts in energy sector and connectivity throughout the Asian and African regions where it is most needed. Most of these power plants are coal-powered and fossil-fuelled and dangerous for environment.<sup>93</sup> According to Emin, "China has no policy about environmental management in its foreign investments."<sup>94</sup> But domestically, China has addressed carbon emission under its 12<sup>th</sup> five-year plan. China is trying to reduce carbon level and Greenhouse gas by 2020. According to Sussams, in the 13<sup>th</sup> five-year plan, the growth of carbon emission will be reduced to 1.24% per annum by 2020.<sup>95</sup> These data implies that, China has concern over carbon in 21<sup>st</sup> century domestically but has a very little concern over the foreign projects as monetary gain is prioritized.

From the cases above, the mercantilist nature of Chinese investment policy can be identified in empirical field. Nature that shows the mercantilists outlooks in the ground are:

- a. Overpriced projects and high interest rates
- b. Debt traps and no scope for debt forgiveness

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<sup>90</sup> Shujie Leng, "Made In China — But Was It Made In A Prison?" NPR (March 29, 2014). <https://www.npr.org/sections/parallels/2014/03/28/295715854/made-in-China-but-was-it-made-in-a-prison>

<sup>91</sup> Ibid.

<sup>92</sup> Rossalyn Warren, "You Buy a Purse at Walmart. There's a Note inside from a 'Chinese Prisoner.' Now what?" Vox. Vox Media (October 10, 2018). <https://www.vox.com/the-goods/2018/10/10/17953106/walmart-prison-note-China-factory>.

<sup>93</sup> For instance, the Payra Power Plant in Patuakhali, Bangladesh. Most of the Chinese Power plant projects are coal-fired in Asia and Africa.

<sup>94</sup> Guillaume Emin, "80% of Chinese Foreign Investment In The Energy Sector Is In Fossil Energies | Beyond Ratings," *Beyond Ratings* (2019). <https://beyond-ratings.com/publications/80-of-chinese-foreign-investment-in-the-energy-sector-is-in-fossil-energies/>.

<sup>95</sup> Luke Sussams, "China's 13Th Five Year Plan Offers No Hope for Coal Markets, Further Suppressing CO2 Emissions," *Carbon Tracker Initiative* (2016). <https://www.carbontracker.org/China-five-year-plan-coal-co2-emissions-renewables/>.



- c. Taking over of infrastructures like 17<sup>th</sup> or 18<sup>th</sup> century mercantilists that attacks direct on sovereignty of respective state
- d. Economic colonization in weaker states
- e. Making states dependent on China
- f. Lack of transparency and exposed corruption in projects
- g. Lacks ideological groundings
- h. Having no concern over environment, work ethics, labor rights and ever essential natural supply such as water or air
- i. Manipulating states in lavish and impractical projects
- j. Illegal activities related to projects such as illegal mining and unequal payments
- k. Economic militarism and military-private commercial relations
- l. Use of Prison labor under state owned enterprises
- m. Exporting Prison made goods
- n. Having no concern over domestic setting of respective state and no concern over human rights violation or related concerns
- o. Using the loans and projects to influence increased export from China that ultimately captures and destroys local market and competitions.

All these findings show that, China prefers less competitive and unequal economic relations which contradicts with early capitalist thinking. China's market philosophy and outlook leads us to believe that China's foreign trades and investments are actually in nature 'illiberal' and mercantilists in disguise of neo liberal capitalism which is the 'neo-mercantilism' in the 21<sup>st</sup> century; as in cases above Chinese investments are seeking ways to reduce cost and create more surplus which is the core concern of a mercantilist state using 'subtle' instruments that helps it to produce more surplus.

## 5. Aspects of Chinese Investment in Bangladesh

China has invested around 26 billion USD in Bangladesh mostly in connectivity and energy. At present, the Chinese debt is less high in Bangladesh relatively. Bangladesh's total external debt is 14% of its GDP in 2017.<sup>96</sup> At present China is the largest arms supplier for

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<sup>96</sup> Connor Fairman, "Payra Seaport Won't Be another Chinese 'Pearl'," *The Diplomat* (2019). <https://thediplomat.com/2019/08/payra-seaport-wont-be-another-chinese-pearl/>.



Bangladesh.<sup>97</sup> According to Dhaka Tribune report, “from 2009 to 2013, 82% of Bangladeshi arms are supplied by China.”<sup>98</sup> Apart from Japan, China is one of the leading contractors working in projects in Bangladesh right now and the partnership is recently announced as ‘Strategic Partnership’. There are several Chinese financed and maintained projects are going on in Bangladesh. Among them, Padma bridge project, Payra deep seaport and Coal-electric project are of most important ones. These projects not only have bilateral impacts but also have impact on geopolitics of this region.

### 5.1. Payra Port Project

Payra port is a deep seaport project in Patuakhali that will cost around 2 to 5 billion USD.<sup>99</sup> It is Bangladesh’s third seaport after Mongla and Chittagong port. It is under the public-private partnership project under the advising of Public private Partnership Authority that works under the office of Prime minister of Bangladesh.<sup>100</sup> According to Fairman, the project is financed by Exim Bank of China and the construction will be done by China Harbor Engineering Company (CHEC) and China State Engineering and Construction Company (CSCEC).<sup>101</sup> These two companies also worked in Hambantota project.<sup>102</sup> According to Fairman, the project is in a very unfeasible area with very poor supporting infrastructure.<sup>103</sup> On the other hand, According to New Age report citing prominent German scientist, Kudrass, the project will be very much costly and will face sedimentation problem in Rabnabad channel.<sup>104</sup> According to Kudrass, Rabnabad channel needs constant dredging to 15 meter deep as it is naturally prone to sedimentation to create accessible passage for ships.<sup>105</sup> According to Kudrass, it is just the start of the problem, as sediments will continue to refill the dredged space specially when cyclone occurs and it will clog up spaces and trap ships.<sup>106</sup> Maintaining open Rabnabad channel will be a costly process which is also difficult for rich countries. In the same report,

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<sup>97</sup> Sheikh Zaman, "China Biggest Arms Supplier to Bangladesh," *Dhaka Tribune* (2014). <https://www.dhakatribune.com/uncategorized/2014/03/17/China-biggest-arms-supplier-to-bangladesh>.

<sup>98</sup> Ibid.

<sup>99</sup> "Project Profile (Updated: 5 December 2019): 3Rd Sea Port (Payra Port Coal Terminal)" (2019). *Pppo.Gov.Bd*. [http://www.pppo.gov.bd/projects-3rd-sea-port\\_payra-port-coal-terminal.php](http://www.pppo.gov.bd/projects-3rd-sea-port_payra-port-coal-terminal.php).

<sup>100</sup> "Infrastructure Investment Facilitation Company (IIFC)". 2019. *Iifc.Gov.Bd*. <http://www.iifc.gov.bd/>.

<sup>101</sup> Connor Fairman, "Payra Seaport Won't Be another Chinese 'Pearl'," *The Diplomat* (2019). <https://thediplomat.com/2019/08/payra-seaport-wont-be-another-chinese-pearl/>.

<sup>102</sup> Ibid

<sup>103</sup> Ibid

<sup>104</sup> Emran Hossain, "High Sedimentation Might Render Payra Sea Port Unusable," *New Age* (2019). <http://www.newagebd.net/article/62327/high-sedimentation-might-render-payra-sea-port-unusable>.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.



citing the Chairman of Pyra Port Authority M Jahangir Alam also shows that, Investors which means Exim Bank of China ran their own feasibility test and is already aware of this problem.<sup>107</sup> These opinions and evidences create argument that, the concern is about the infrastructure from the investor's side, not about how the infrastructure will perform. Also this port is a lavish project with high maintenance cost and impractical in the sense that apart from bringing coal for adjacent power plant project, how Bangladesh will pay the loan if Kudrass proves right. Though both the Authority and Dr. Ainun Nishat, an expert denied that none of this will happen, one must keep in mind that, Kudrass has expertise of two decades of work in Bay of Bengal.

Apart from this, according to Mannan, The Environmental Impact Assessment on Pyra shows that the report mostly emphasized on local people being happy about new economic opportunities, though there are environmental risks on wildlife specially the river life and on Sundarban that is also situated there.<sup>108</sup>

## 5.2. Payra Power Plant

Payra power plant is a coal-fired power plant that is being built under the joint venture of Bangladesh and China. It is under the joint venture company known a Bangladesh China Power Company Limited (BCPCL). Payra coal energy plant is capable of producing 1300 Mega Watt electricity. BCPCL gave the \$1.56 billion USD construction for the power plant to Chinese consortium consists with China Energy Engineering Group Northeast No.1, Electric Power Construction (NEPC) and China National Energy Engineering and Construction (CECC).<sup>109</sup> When the construction work began, Total 8000 workers were hired to work of whom, were 2700 Chinese workers and rests were Bengali.<sup>110</sup> In June 18, 2019, a riot and protest broke out based on the death of a Bengali worker who was alleged to be murdered by Chinese counterpart. The protest also turned into violent conflict that also took life of one Chinese worker. According to New Age report, Bengali workers protested not only because of the death of fellow worker, but also due to discriminatory working and living condition and due

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<sup>107</sup> Ibid.

<sup>108</sup> Mohammad Mannan, Environmental Impact Assessment of Payra Port (2019).. DOI: 10.13140/RG.2.2.33250.79043. [https://www.researchgate.net/publication/331653470\\_Environmental\\_Impact\\_Assessment\\_of\\_Payra\\_Port\\_6109\\_546129104\\_1](https://www.researchgate.net/publication/331653470_Environmental_Impact_Assessment_of_Payra_Port_6109_546129104_1)

<sup>109</sup> "Payra Power Plant Coal-Fired Bangladesh 1,320MW", *Ns energy business.Com* (2019). <https://www.nsenerybusiness.com/projects/payra-power-plant/>.

<sup>110</sup> Serajul Quadir "Chinese-Funded Power Plant in Bangladesh Delayed After Workers Clash". *Reuters* (2019). <https://www.reuters.com/article/us-bangladesh-China-workers/chinese-funded-power-plant-in-bangladesh-delayed-after-workers-clash-idUSKCN1TO0GQ>.



to poor safety level that led to the death of their fellow worker.<sup>111</sup> The same report also showed that, the condition and facilities of Bengali workers are comparatively worse than the Chinese workers of same level.<sup>112</sup>

### 5.3. Banshkhali Power Plant

Banshkhali power plant is another coal powered plant which is a joint venture between S Alam group from Bangladesh and SEPCO-3 and HTG group of China.<sup>113</sup> This is the biggest privatization of energy sector in Bangladesh. According to New Age news, in april 2016, during a protest against this power plant by the locals in Gundamara, police opened fire killing 4 people.<sup>114</sup> According to EJAAtlas report, the protest started when S. Alam group started illegal and forceful land grabbing for the project where it grabbed 1700 acres of government land (khas jamin).<sup>115</sup> According to Daily star news, the protest also showed the serious environmental damage to the area where locals are aware of other Chinese coal-fired power plant around the world.<sup>116</sup> The same news also showed that, S. Alam group bought 660 acres of land from the locals by telling them that, the land will be used to set up garments and other factories that would also create job opportunities for the locals.<sup>117</sup> This is a clear deception and illegal at the same time.

### 5.4. Padma Bridge Project

Padma Bridge is the most famous and largest construction project of the country. The total cost of this project right now is 3.68 Billion USD.<sup>118</sup> This cost is 91% more than the initial costing.<sup>119</sup> The project is running delay due to World banks withdrawal from the project due to allegation of corruption. Later Bangladesh started on self-funding which met finance from

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<sup>111</sup> New Age, "Credible Inquiry into Payra Power Plant Clash a Must" (2019). <http://www.newagebd.net/article/76204/credible-inquiry-into-payra-power-plant-clash-a-must>.

<sup>112</sup> Ibid.

<sup>113</sup> "Banshkhali Coal Power Station, Chittagong, Bangladesh | Ejatlas", Environmental *Justice Atlas* (2017). <https://ejatlas.org/conflict/banshkhali-coal-power-station-chittagong-bangladesh>.

<sup>114</sup> New Age, "Protest At Coal-Fired Power Plant In Banshkhali : 4 Villagers Killed In Firing", (2016). <http://www.newagebd.net/217900/protest-at-coal-fired-power-plant-in-banshkhali/>.

<sup>115</sup> "Banshkhali Coal Power Station, Chittagong, Bangladesh | Ejatlas", Environmental *Justice Atlas* (2017). <https://ejatlas.org/conflict/banshkhali-coal-power-station-chittagong-bangladesh>.

<sup>116</sup> Kallol Mustafa, "Banshkhali Coal Power Plant Propaganda and Reality," *The Daily Star* (2016). <https://www.thedailystar.net/op-ed/politics/banshkhali-coal-power-plant-propaganda-and-reality-1208137>.

<sup>117</sup> Ibid.

<sup>118</sup> "General Information", PADMA MULTIPURPOSE BRIDGE PROJECT (Accessed December 26, 2019). <http://www.padmabridge.gov.bd/general.php>.

<sup>119</sup> Rahman Ashikur, and Bazlul Haque Khondker, Economic *Cost-Benefit Analysis: Padma Bridge Project*, Copenhagen Consensus Center (2016). [https://www.copenhagenconsensus.com/sites/default/files/khondker\\_padma\\_bridge.pdf](https://www.copenhagenconsensus.com/sites/default/files/khondker_padma_bridge.pdf).



China 2.76 billion USD for the railroad financed by Exim Bank of China.<sup>120</sup> Currently this project is enlisted under BRI.<sup>121</sup> The construction of the bridge is awarded to China Major Engineering Limited. According to the Daily star report, the payment of this company follows a condition where Bangladesh needs to pay 74% of total payment in foreign currency (Dollar) and only 26% in local currency.<sup>122</sup> This shows the interesting aspect that the Chinese desire for dollar only and that it financed in this project to go back to its own reserve to reduce actual transaction cost.

### 5.5. Supplier's Credit Agreement

Supplier's credit is a financial term under which importer uses foreign importer to finance his purchase.<sup>123</sup> Bangladesh has signed supplier's credit agreement with Exim Bank of China.<sup>124</sup> According to Sattar et al. Suppliers credit is harmful for the developing and least developed country as it hardens terms and brings risk of poor quality product or service.<sup>125</sup> On the other hand, according to Emran, 'buyer's Credit' facility is another term that works on behalf of the buyer or importer by easing the financial conditions.<sup>126</sup> It also reduces interest rates to half.<sup>127</sup> In the Bangladesh China economic relations, we see the domination of Supplier's credit and barely use of 'Buyers credit' which is being popular day by day. Supplier's credit creates advantage for exporter which raises the debt of importer.<sup>128</sup> In one sentence, the

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<sup>120</sup>BD News 24, "Bangladesh Signs \$2.76 Billion Loan Deal With China's Exim Bank for Padma Bridge Rail Links" (2018). <https://bdnews24.com/economy/2018/04/27/bangladesh-signs-2.76-billion-loan-deal-with-Chinas-exim-bank-for-padma-bridge-rail-links>.

<sup>121</sup> "Padma Bridge Project Included in China's BRI." *Prothom Alo* (2019). [https://en.prothomalo.com/bangladesh/news/194588/Padma-Bridge-project-included-in-China's-BRI?fbclid=IwAR3uVzh4LGw8MIUdGSv\\_pB8d2CmgXxb882GmwUD6XwKG8kenkTsaJs-5v-k](https://en.prothomalo.com/bangladesh/news/194588/Padma-Bridge-project-included-in-China's-BRI?fbclid=IwAR3uVzh4LGw8MIUdGSv_pB8d2CmgXxb882GmwUD6XwKG8kenkTsaJs-5v-k).

<sup>122</sup> The Daily Star, "Chinese Firm To Build Padma Bridge" (2014). <https://www.thedailystar.net/chinese-firm-to-build-padma-bridge-25227>.

<sup>123</sup> "Suppliers Credit Definition | Finance Dictionary | MBA Skool-Study.Learn.Share," *MBA Skool-Study.Learn.Share* (2019). <https://www.mbaskool.com/business-concepts/finance-accounting-economics-terms/8640-suppliers-credit.html>.

<sup>124</sup> Shakhawat Hossain, "\$156M Chinese Suppliers' Credit Agreed," *New Age* (2017). <http://www.newagebd.net/article/20344/156m-chinese-suppliers-credit-agreed>.

<sup>125</sup> Zaidi Sattar, "Bangladesh Suppliers' Credit as External Finance Challenges For Fiscal and External Debt Management," *World Bank* (2000). <http://siteresources.worldbank.org/INTBANGLADESH/Data%20and%20Reference/22676972/BangladeshSuppliersCreditAsExternalFinance.pdf>.

<sup>126</sup> Mohammad Emran, "Buyer's Credit Facility". *The Financial Express* (2017). <https://thefinancialexpress.com.bd/views/buyers-credit-facility-1504971593>.

<sup>127</sup> Ibid.

<sup>128</sup> Zaidi Sattar, "Bangladesh Suppliers' Credit as External Finance Challenges For Fiscal and External Debt Management," *World Bank* (2000). <http://siteresources.worldbank.org/INTBANGLADESH/Data%20and%20Reference/22676972/BangladeshSuppliersCreditAsExternalFinance.pdf>.



use of Supplier's credit creates unequal relations between Bangladesh and China by putting China in an advantageous position.

## 6. Neo-Mercantilist Elements in Bangladesh-China Economic Relations

From the last section that discussed the natures and aspects of Bangladesh-China economic relation, we can find similarities that matches with the mercantilist elements of Chinese investments discussed before.

**a. Impractical and lavish projects:** Like Hambantota or Montenegrin road case, Payra sea port can be identified as impractical and lavish projects due to its sedimentation problem and huge maintenance cost. Like Hambantota or Montenegrin road case, China and its construction companies mostly have their own infrastructural profit mind. Payra port is still in building but Kudrass's evidence and port authority's acknowledging the problem clearly shows that China only cares about the profit and high interests it will get as this port is also in a very unfeasible location which is the core motivation for mercantilism.

**b. Less environmentalism, More Profit Orientation:** Like cases of Kenyan railroad or mining in Ghana, Chinese projects in Bangladesh also shows zero concern over environmental management in Chinese projects as it would increase cost of the projects, which is a barrier in creating 'more surplus'.

**c. Privatization:** Banshkhali Power plant project and joint venture among S. Alam group and SEPCO-3 and HTG shows the 'privatization of national sectors' which is another characteristics of 21<sup>st</sup> century neo-mercantilism

**d. Deception, corruption and poor management cost:** S.Alam Group's land grabbing, deceiving the locals and poor management in Payra power plant shows the tendency to keep the cost as minimum as possible to generate more surplus for both China and its other stakeholders in Bangladesh. Bangladesh even blacklisted Chinese companies for their attempted bribery also.<sup>129</sup> The bribery case also shows 'the state patronized use of corruption' as an instrument to enhance financial gain.

**e. Using of Illegal means:** S.Alam group's illegal land grabbing, manipulating police to suppress the protests, no actual inquiry about the 'accidental' death of Bengali worker in Payra etc. shows the tendency to keep the project going on which generates money. Apart from

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<sup>129</sup> "Bangladesh Blacklists China Harbour Engineering for 'Bid to Bribe Secretary'." *BDNews24* (2018). <https://bdnews24.com/business/2018/01/16/bangladesh-blacklists-China-harbour-engineering-for-bid-to-bribe-secretary>.



money or surplus, parties in the projects barely have other concerns such as labor rights, human rights etc.

**f. Keeping the labor cost as minimum as possible:** Discriminatory work condition in Payra, indifference towards ensuring work safety and low facilitation of workers all have one common goal. It is to keep the cost as minimum as possible which is one of the core mercantilist motivation.

**g. Supplier's credit and Currency manipulation:** Use of supplier's credit and China's being accused of currency manipulation to increase profit shows the mercantilist out look towards it projects. Where Buyer's credit and commercial loan are being popular day by day, China is still sticking to supplier's credit which also enables China to export less quality products, which is another mercantilist motivation.

Based on the findings and ground realities in Bangladesh China economic relations, it is clear that, there are mercantilist elements in this relation where China, like it does in every other region, is promoting and exploiting an unequal relation with Bangladesh. Empirical findings of these elements reflects that, these sets of instruments are ultimately serving one purpose which is 'maximizing profit and minimizing cost and risk by creating unequal business relations'. This is the core characteristics of mercantilism. The realities given above also reflect Krickovic's and Amadeo's statement about mercantilism mentioned before.<sup>130</sup> The use of mercantilism by exploiting the need of development of relatively weaker states is another aspect that supports Kreiger's statement. According to Kreiger, at present, the methods [Neo-mercantilist] are subtler than before but the goal is the same as before [mercantilist].<sup>131</sup> Here, in 21<sup>st</sup> century the wolf is not hunting openly as it did in 16<sup>th</sup> and 17<sup>th</sup> century rather it is now hiding under the clothing of a sheep named 'development' and doing what it did in 16<sup>th</sup> and 17<sup>th</sup> century in more subtle way.

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<sup>130</sup> According to Krickovics, neo-mercantilist states adopt wide range of instruments that helps them to gain most in the open world economy.

According to Amadeo, it is easy for communist states to use neo-mercantilism as state owns and controls the business organizations.

<sup>131</sup> Gilbert Kreijger, "Promoting Trade: Germany First: The Return of Mercantilism," *Handelsblatt.Com* (2017). <https://www.handelsblatt.com/today/finance/promoting-trade-germany-first-the-return-of-mercantilism/23570190.html?ticket=ST-9301475-AVqvSybGaZjbsfiqsGRN-ap1>



## 7. Conclusion

China's economic reform under Deng Xiaoping and formation of 'Beijing Consensus' created the path for 'public private partnership' by favoring the then-marginalized capitalist class. This partnership with the course of time gained politico-economic aspect which created a mercantilist state with no ideological position. As a result, China's behavior as a state also changed in a very mercantile way. It became an authoritarian state internally but started promoting free-market and neo-liberal economy in its foreign policy in searching and expanding its market. This mercantilist state ended up in trades enjoying unequal position with counterparts and started exploiting through its geopolitics and capital investments. For China, to become the new superpower in 2050, economic superiority is a must. This realization motivated China to adopt neo-mercantilist policies in its economic relations both domestic and foreign. Bangladesh is facing a domestic demand of infrastructural development and this demand tilted Bangladesh towards China for its investments and soft loans with least terms and conditions. As a result, being a relatively weaker state, it also became engaged in an unequal economic relation with China where this paper finds that, there are mercantilist elements. Incidents and evidences of Chinese projects such as Payra seaport and power plant, Banshkhali power plant and Padma bridge project show that, China and Chinese investments have only one concern, which is, 'creating surplus in form of currency' which will enrich China's foreign reserve. Therefore, there are neo-mercantilist elements in Bangladesh-China economic relations. One must keep in mind that, it is not only China that has neo-mercantilist outlook in the 21<sup>st</sup> century, rather this research provides a better understanding how neo-mercantilist outlooks are being facilitated underneath Development and Aid politics as an old wolf hiding under sheep's clothing.

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