Passive Hosts or Demanding Stakeholders?

Understanding Mozambique's Negotiating Power in the Face of China

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Abstract

Recent debates on African agency in China-Africa relations highlight how China provides African governments with an alternative to traditional donors that should allow African policymakers to experiment with policy approaches and play a more assertive role in negotiations. However, how this is translated into negotiations between China and individual African countries remains unclear. This article uses the negotiation of a Chinese-funded construction project in Mozambique as basis to discuss the extent to which the Mozambican public administration involved in project negotiation manages to align such projects with broader development goals in the construction sector. The case illustrates a clear tension between macro-economic development goals and project-level practices, and the findings suggest that explanations can be summarised as follows: First, the structural conditions that have shaped Mozambique's negotiating strategies in development cooperation are not really altered when cooperating with China. Second, the liberal policies promoted in Mozambique have not focused on specific industries, leaving the public administration with a weak policy backdrop for negotiating local content in the construction sector. Third, the China Export-Import Bank has clear requirements for how their funding should be used in project implementation, and fourth, small and medium construction companies in Mozambique are relatively insignificant to the political elite, giving the public administration few incentives to promote long-term capacity building in the construction sector.

Keywords: China; Mozambique; negotiation; negotiating power; development cooperation

Introduction

The role of China in its interaction with the African continent has been depicted in a variety of ways. Still, discourses on China-Africa relations have remained a moral binary, with China portrayed either as a colonist or neo-colonial predator, or a developer and friend to Africa (Meidan 2006; Robinson 2011, Haugen 2011). A common feature of many analyses has been the presentation of China as the aggressive and dominating party in Sino-African cooperation. Recently, this image has been criticised for rendering African stakeholders invisible. Scholars argue that African governments and stakeholders have been unfairly depicted as passive recipients, and the analyses ignore how African actors express agency and

affect bilateral relations (Corkin 2013; Dietz et al 2011; Harman and Brown 2013; Mohan and Lampert 2013).

China is a welcome partner for many African countries. The Chinese development experience is said to provide a conceptual alternative to the Washington consensus by showing that ‘a country can successfully pursue an endogenous development plan tailored to its own context and achieve results, rather than having to accept Western doctrines’ (Corkin 2013: 52). Moreover, scholars claim that China’s active involvement on the African continent gives aid-dependent African governments more ‘room for manoeuvre’ as China offers alternative sources of finance (Oya 2006; 2008). In effect, China has enabled African governments to take a more assertive role in negotiations with the West and Western-dominated international institutions (Moss and Rose 2006, Woods 2008). However, how this expansion of the policy space is translated into negotiations between China and individual African countries is not necessarily clear. While China is seen as more sensitive and flexible towards the development needs of African governments than its Western counterparts (Kragelund 2015; Peh and Eyal 2009), the fact that China is wealthier and generally has more leverage in negotiations than any African country cannot be ignored. Furthermore, African countries have varying capacities to negotiate projects with China at a bilateral level (Corkin 2013). Whether African countries’ cooperation with China furthers broader development goals depends on ‘deliberate and proactive African action’, and the states’ ability to negotiate from a strong and informed platform (Cheru and Obi 2010: 2). Moreover, a lot depends on whose interests are promoted in negotiations and whether these interests advance macro-economic development goals.

This article uses the example of a Chinese-funded construction project in Mozambique to examine the extent to which the Mozambican public administration involved manages to align such projects with the broader development goals of local content, capacity

building, and knowledge transfer in the construction sector. The particular project is in road building and is financed by non-concessional loan of more than 300 million USD from the China Export-Import (ExIm) Bank. The analysis highlights crucial elements in the debate on state agency in African countries – both the various interests that make up the Mozambican state and influence which aspects are subject to negotiation, and the historical and structural conditions that shape how state actors enter into negotiations with China.

The construction sector is a relevant starting point for exploring Sino-African relations as China has become active in the construction industry of almost every African economy (CCS 2006). Decades of reluctance among traditional donors to finance infrastructure has led to a heavy backlog in infrastructure investments, and Chinese activity in the sector is generally welcomed (Grimm 2014). Mozambique is no exception, especially since a great deal of physical infrastructure was destroyed during the war from 1977-92, and the government has invited Chinese involvement in roads, rails, and bridges, and in ‘prestige projects’ such as stadiums, hotels and conference centres (Alden, Chichava and Roque 2014, Jansson and Kiala 2009). Mozambique is also an interesting case given the country’s strong links with traditional donors. In comparison, Chinese activities offer a potential advantage and a source of diversity (Moss and Rose 2006).

Carmody and Kragelund (2016) claim that the recent emphasis on African agency risks implying that African political elites – in their relations with China – have ‘the power to reshape fundamentally the nature of their state-societies’ (ibid: 5), without acknowledging the concrete realities and structural conditions of the global political economy. They suggest that any assessment of agency must take account of the power asymmetries in international relations, as well as the deepening power of transnational capital (ibid). One way to approach the complex issue of state agency is by exploring negotiations between Chinese actors and stakeholders in Mozambique. A negotiation consists of a process and an outcome. In line

with Whitfield and Fraser (2010), I argue that many previous analyses have downplayed the part of the process that starts *before* negotiations begin, elements which reflect the structural conditions and existing political economy of the country in question. The negotiation itself involves the negotiating strategies used by the two parties, largely shaped by the first part of the process. The outcome reflects the end result of a negotiation.

As in many negotiations, information about the process *during* the negotiation between Chinese and Mozambican actors has been difficult to obtain. Such negotiations often start in enclosed high-level meetings where vague memorandums of understandings are the only results available to the public. It also seems unclear to the public administration before they enter individual project negotiations what has been agreed at presidential or diplomatic levels. Thus, the main focus in this article is on the process leading up to the negotiation that results in a specific outcome. I argue that factors outside of individual negotiations ‘significantly affect the preferences of actors, the negotiating strategies they fashion, and the success of those strategies’ (Whitfield and Fraser 2010, 341).

Sino-Mozambican relations date back to the 1960s, but Mozambique has recently come to rely on China for financing infrastructure projects (Robinson 2011; Roque 2010). After the 2016 disclosure of secret governmental debt that led the International Monetary Fund to cut off its lending and 14 traditional donors to halt their budget support (Hanlon 2016), it is reasonable to assume that Mozambique will turn even more firmly eastwards. China tends to focus on large-scale, visible projects, which is clear when exploring the record of Chinese construction companies in Mozambique (Alden, Chichava and Roque 2014, Jansson and Kiala 2009). The case of Mozambique provides an example of how the public administration in one African state manages a multitude of interests when negotiating its partnership with China. The data sheds light on how different public servants understand their

negotiating power, problematize their negotiating position, and justify the outcome of negotiations.

The case illustrates clear tensions between macro-economic development goals and project-level practices, and the findings in this article suggest that explanations can be summarised as follows: First, the structural conditions that have shaped Mozambique's negotiating strategies are not really altered when cooperating with China. Second, the liberal policies promoted in Mozambique have not focused on specific industries, leaving the public administration with a weak policy backdrop for negotiating local content in the construction sector. Third, the ExIm Bank has clear requirements for how their funding should be used in project implementation, and fourth, small and medium construction companies in Mozambique are relatively insignificant to the political elite, giving the public administration few incentives to promote long-term capacity building.

This article first establishes an analytical framework for understanding negotiations between China and Mozambique, through a discussion of negotiation and power, and how this can illuminate the details of specific project negotiation. Next, the case and methods are presented and discussed. The analysis is divided into three parts – the first analyses how external relations and elite dynamics shape Mozambique's potential power, the second discusses how the Mozambican public administration views relations with China and the influence of this on negotiation strategy, and the third discusses outcome. The article ends with a conclusion.

Understanding Negotiations

Negotiations have been analysed in a wide range of disciplines, from management to sociology to political theory, each providing a distinct methodology for identifying influencing variables and the interactions between them (Daody 2009). A common feature in

the negotiation literature has been on how to improve negotiator performance, where power is understood as a crucial feature (Kim et al 2005). Power is a highly debated concept and scholars have developed numerous definitions and approaches (for a review, see Arts and Tatenhove 2004). For the purpose of this article, I distinguish between two important lines of thought, the 'structural' and the 'relational'. The structural view understands power as a capacity, or something that is 'possessed' by certain individuals, organisations, or states (Flint et al 2009). They can use this capacity to achieve specific outcomes at the expense of others. As such, 'power is always possessed but not always exercised and, as a result, power is perceived as "always potential"' (Smith 2006: 644-45). Relational conceptualisations of power build on the ideas of Henri Lefebvre and Michel Foucault, where power is seen as far more 'diffuse and mobile; it is continually circulating and allows more possibility for the role of individual agency' (Smith 2006: 645). Coe and Yeung (2015) strike a middle ground when they argue that underlying structures influence negotiations, but that negotiations are simultaneously relational by nature. Thus the underlying structures can be used or changed in various ways. Power is defined as 'the capacity of one actor to exercise and achieve control over a particular strategic outcome in its own interests that can be realised only through the process of exercising' (Coe and Yeung 2015: 66). This approach influences my understanding of power in negotiations, as it encompasses both structural and relational elements.

In this article I explore the conditions under which negotiations between China and Mozambique take place, and thus understand the ability of Mozambican stakeholders to achieve their preferred outcomes. Although Mozambique-China relations do not represent an aid relationship in the traditional sense, I argue that contemporary Sino-Mozambican cooperation must still be understood in the light of historical relations with traditional donors. Thus, it becomes relevant to draw on the literature of aid negotiations. Widely used

approaches include game theory (Mosely et al 1991), principal-agent models (Killick et al 1998) or new institutionalist approaches (Gibson et al 2005). While each of these approaches provide useful insights into aid relations, they have also been criticized for not appreciating the complex political nature of negotiating actors, and for not situating contemporary development cooperation in the context of broader global political and economic developments (Whitfield and Fraser 2010). The outcomes of Chinese involvement in Africa are largely influenced by the structures, histories and capacities of African states. This spans the capabilities of African states in their territories, the generation of conditions conducive to Chinese investments, and the robustness of the political society (Mohan and Power 2008: 25). These elements affect the ability of African stakeholders to negotiate favourable deals with China. And what is considered favourable in any given context depends on the actors involved, and the concrete negotiations which they enter into.

Negotiation as process and outcome

In order to operationalise power dynamics in negotiations, I draw on Kim et al's (2005) notions of potential power, perceived power, power tactics, and realised power, which are used to capture the temporal stages and associated dynamics of negotiations. Potential power is part of the process before the negotiation, perceived power and power tactics relate to the process during negotiations, and realised power is reflected in the outcome. To situate negotiating power within a framework for development cooperation, I combine Kim et al's (2005) conceptualisation of negotiating power with parts of Whitfield and Fraser's (2010) framework for aid negotiations. While relations between African countries and China are thought to be less asymmetrical than traditional aid relations, and China seen as more sensitive and flexible towards the developmental needs of African governments, the fact remains that countries enter negotiations with a certain degree of negotiating capital which influences how they perceive their negotiating strength and which strategies they employ.

Before negotiating: assembling potential power

Potential power is defined as ‘the underlying capacity of negotiators to obtain benefits from their agreements’ (Kim et al 2005: 803). They see potential power largely as a function of relative dependence, building on power-dependency theory (Emerson 1962) and French and Raven’s (1959) typology of power bases (see Kim et al 2005 for a review). Dependence becomes a crucial aspect in any negotiation, and is expressed in two ways: ‘(1) the counterpart’s valuation of the negotiation and (2) the value of the counterpart’s best alternative if an agreement in the focal negotiation is not reached’ (Kim et al 2004: 803). To include a consideration of ‘the ideological and institutional legacies of the systems over which innovations are layered’ (Fraser and Whitfield 2008: 8), economic, political, ideological and institutional prior conditions are included (Whitfield and Fraser 2010).

Economic conditions are captured in Kim et al’s (2005) definition of potential power, referring mainly to the government’s sources of revenue, the condition of the economy and how it is positioned in the global economy, as well as broader trade relations between the countries involved. Political, ideological and institutional conditions are not considered in detail by Kim et al’s (2005) conceptualisation, but refer to the geo-strategic importance of the state in question, the ability of governments to express clear political visions, and the effectiveness of public administration to construct, defend and implement development strategies (Fraser and Whitfield 2008). Political, ideological and institutional conditions can be captured by discussions of policy space and state capacity, both of which have sparked intense debates about the political economy of individual African states.

Policy space is seen as a crucial feature in determining whether a country is able to achieve economic development (Chang 2006). Discussion on policy space normally revolves around various constraints on the opportunity for developing countries to experiment with development policies, in a situation where the choices have ‘shrunk behind the rhetorical

commitment to universal liberalization and privatization’ (Wade 2003: 622). Oya (2006: 10) claims that loss of policy space is rooted in a ‘neo-liberal anti-state view that prevails in much of the aid “industry” (including NGOs)’. Conditionality of economic, social, institutional and political reforms is claimed to have denied African policymakers the needed policy space to formulate their own development strategies (Oya 2008). Moreover, the policy space of developing countries has been heavily affected by various international regulations and trade agreements, constraining the ways in which countries can support and protect national industry (Chang 2006). The lack of alternative sources of finance, especially in Sub-Saharan Africa, has led to a strict adaptation to the ideology of donors on the part of many African technocrats and leaders (Oya 2006). Policy space in this context impacts on a country’s potential power by influencing how development strategies are shaped and presented (Whitfield and Fraser 2010). China is thought to provide African governments with a financial, as well as conceptual, alternative to traditional donors. In turn, this should allow policy makers to experiment with alternative policy options, especially in the area of trade and industry.

State capacity has been defined in numerous ways (for a review, see Hendrix 2010), but will here refer to strength of state power, meaning ‘the ability of states to plan and execute policies, and to enforce laws cleanly and transparently’ (Fukuyama 2004, 22). As in the discussion about policy space, the liberal policies promoted by traditional donors are criticised for depleting state capacity (Sparke 2006). Lauridsen (2012) argues that while the ‘Washington Consensus’ claimed to focus on institutions and capacity building, the main concern was on what the state should refrain from doing. Consequently, this has led to the formulation of ‘thin’ or ineffective policies, where states are confined to encouraging economic competitiveness rather than formulating macro-economic and industrial policies (Peck 2001: 446-7). Moreover, political shifts and development priorities in Africa have a

history of being externally driven (Dietz et al 2011) – many developing countries have remained dependent on external agents for policy formulation, through neoliberal reforms, bilateral agreements, or aid conditionality. Skocpol (1985) adds another dimension suggesting that state capacity is linked to elite dynamics, encompassing states’ ‘ability to implement official goals, especially over the actual or potential opposition of powerful social groups’ (p. 9). As a consequence, state capacity relies on an independent, rule-following bureaucracy (Knutsen 2012). In this context, state capacity influences potential power through institutional conditions, referring to the ability of the state to negotiate effectively, whether it is able to devise and defend development strategies, and conditions of the state’s bureaucracy (Whitfield and Fraser 2010).

It should be noted that the role of the state, and particularly industrial policies, seems to be returning to the agenda (see e.g. Altenburg 2011; ACET 2014; UNEC 2016). The financial crisis and the role of the state in the re-emergence of China and other emerging economies have made many Western states rethink their models for development cooperation (Kragelund 2015; Mawdsley 2015). However, there is little consensus on how to use industrial policies for economic development in developing countries (see e.g. Altenburg 2011; Lin 2011; Lin and Chang 2009), and how this renewed focus on the state and industrial policy will play out in practice. Processes of policy space and state capacity are understood in this article as structures influencing the potential power of Mozambique, determining the public administrations’ negotiating strategies.

Shaping negotiating strategies

During a negotiation, the negotiating parties may try to use different strategies aimed at worsening the alternatives for the opponent, influencing mutual perceptions and reaching a satisfying agreement. Such strategies may shape interests, perceptions and thus also outcomes (Daody 2009). Whitfield and Fraser (2010) suggest that states’ negotiating strategies derive

from perceptions of their own relative negotiating capital and policy preferences, which can be captured by Kim et al's (2005) concept of *perceived power*. Kim et al (2005) stress that perceived power is both the perception of a negotiator's own potential power *and* the potential power of the counterpart. One determinant of perceived power is the extent to which all the information about the potential power of the counterpart is available (Kim et al 2005). Policy preference in this article will be linked, in particular, to how the Mozambican public administration perceives of China's policy preferences.

Perceived power influences if and how negotiators make use of power tactics – how negotiators attempt to use or change power relationships in a specific negotiation. *Power-change tactics* mean that negotiators might try to improve their own potential power if they evaluate their own potential power as too low to obtain the desired outcomes. *Power-use tactics* refer to how negotiators attempt to use their power to reach the outcome they want, either by conciliatory tactics (coordination and collaboration) or hostile ones (competition and resistance) (Kim et al 2005).

Realised power

Finally, *realised power* reflects the achieved outcomes of a negotiation (Kim et al 2005), judged 'in terms of their effects upon the interests of the agents involved' (Daody 2009, 367).

Methods

The primary data in the analysis is based on fieldwork in Maputo from May to September 2013, supplemented by data collected from October 2014 to February 2015¹. The main part of the empirical material is made up of interviews concerning the implementation of a large

¹ The data from 2014/2015 was collected by research assistant Sérgio António Cossa.

infrastructural project². The project involved the construction and rehabilitation of the road network around Maputo, where a Chinese state-owned construction company was the main contractor³. The Mozambican government initiated the project and designated it one of their priority development projects. It is financed through a non-concessional loan⁴ from the ExIm Bank, whose main activities are export credit, international guarantee, loans for overseas construction and investment, and official lines of credit⁵ (Moss and Rose 2006).

The project discussed in the interviews is quite a common form of Chinese infrastructural lending to African countries. According to Foster et al (2009), the ExIm Bank accounted for 92% of Chinese financial commitments for infrastructure in Africa between 2001 and 2007. Moreover, public infrastructures are a significant part of the Mozambican government's priority projects. Out of 21 projects regarded as priorities for Mozambique and submitted to the Chinese government in 2011, more than 60% were in the infrastructure sector (Chichava 2014).

Interviews were conducted with representatives from the Mozambican ministries connected to project negotiation and implementation; the Ministry of Public Works and Housing, the Ministry of Finance, the Ministry of Work, and the Ministry of Foreign Affairs. In addition, interviews were conducted with management and engineers in the Chinese company, the Mozambican state company (project owner), and the municipality in Maputo⁶. Supplementary interviews were conducted with the Mozambican Federation of Contractors, consultant companies in the construction industry, the Investment Promotion Centre, the

² The analysis in this article is part of a larger research project exploring the role of Chinese construction projects in Mozambique. The project investigates several Chinese construction projects and the empirical material is mainly interviews and observations.

³ The project, the Chinese company name, and identity of informants are anonymized as requested by my informants.

⁴ While both Mozambique and the ExIm Bank expected the loan to be concessional, it became non-concessional by a small margin as the discount rate applied in the concessionality calculations changed in the final negotiation phase (IMF 2012; Interview, Ministry of Finance 29.08.13).

⁵ For an overview of the process of recipient government application for infrastructural loans with the China ExIm Bank, see Corkin 2013, 66-68.

⁶ Interviews with Mozambican informants were conducted in Portuguese, while interviews with Chinese informants were conducted in English.

country office of the World Bank, the national trade union, the National Directorate of Buildings, and a Mozambican NGO. The data also includes these stakeholders' overall perceptions of negotiations with China, as well as Mozambique's relationship with China in general, placing the project within the wider context of development cooperation. It should be noted that the data is numerically biased towards Mozambican informants. This is partly a result of the difficulty in accessing Chinese informants in Mozambique due to language barriers, but is also a deliberate choice with the intention of bringing out Mozambican perspectives on negotiations with China.

Data from secondary sources are significant supplements to the interview data, especially in relation to more sensitive issues such as the economic interests of the political elite. I evaluate the nature the Mozambican political economy as a crucial dynamic for contextualising the negotiation in question, but have had to base these arguments on secondary literature as information about such themes would naturally not emerge in interviews with government bodies.

Mozambique's Potential Power

This section discusses the structural conditions that shape Mozambique's potential power. It addresses the historical processes and dimensions that create the economic, political, ideological and institutional conditions for specific negotiations.

Managing external relations

After independence from Portugal in 1975, Mozambique embarked on a nationalist project of socialist reform. The political party in power, Frelimo, claimed Marxism-Leninism as its official ideology. It was inspired by both newly independent African countries and other socialist countries and supported by the Soviet Union (Chichava 2008; Hanlon 1991; Phiri 2012). Although the first years after independence showed economic progress (Hanlon and

Mosse 2010), Mozambique's self-crafted development strategy was never really put to the test, as the country was thrown into a violent, destabilising war from 1977. The economic situation following the war, debt, poverty, and a shortage of international credit forced Mozambique to turn to the West for support (Kaufmann and Simons-Kaufmann 2016). Mozambique joined the World Bank and the IMF in 1984, and the socialist project was abandoned in favour of structural adjustment programmes from 1987 (Krause and Kaufmann 2011). The peace agreement that was signed in 1992 ensured multi-party elections, but Frelimo has won every election since.

Mozambique was soon labelled a 'darling' by the donor community (Hanlon and Mosse 2010), and by 1993 the country had implemented nearly all of the World Bank's and IMF's policy recommendations (Hanlon, 1991; Robbins et al, 2009). Mozambique has been described as 'a success story of post-Washington Consensus development' (Anderson 2012, 2), and its ability to portray itself as a 'trustworthy' recipient of aid has been an important factor in sustaining relatively high levels of aid⁷. During the 1990s, Mozambique enjoyed massive support through foreign aid, as well as foreign investment in so-called mega-projects⁸. However, despite impressive growth rates since the mid-1990s, the structural features of Mozambique's economy have not changed substantially (OECD 2013). Mozambique continues to rank among the poorest countries of the world, with 54.7% of the population living on less than 2 USD a day (World Bank Data 2016). Foreign aid is the largest contributor to the national budget, comprising around 50% of government expenditure in 2010 (SIPA 2013).

⁷ As of 2016, what started with the disclosure of a hidden debt of 2.2 billion USD has to a certain extent shattered this image of Mozambique for many traditional donors (for a thorough analysis, see Hanlon 2016). The effect of this in relation to China is beyond the scope of this article.

⁸ The Mozal aluminium smelter, established in 1998, became a showcase for future investments in various capital-intensive mega projects, placing Mozambique on the map for international investors. MOZAL still accounts for about one third of exports and makes the economy highly dependent on volatile international prices. It should be noted that without MOZAL, manufacturing value added would be as low as it was in 1971 (Krause and Kaufmann 2011).

Alden, Chichava and Roque (2014: 3) assert that ‘aid from Western institutions has played a significant role in Mozambique’s economic and social recovery but has also been influenced by donor priorities and reduced the capacity of the government to govern itself’. A prominent skill of Mozambican bureaucrats is to manage complex relationships with international agencies and respond positively to their recommendations, a dynamic developed through 40 years of strong links with bilateral donors, and 20 years of relations with the World Bank and the IMF (De Renzio and Hanlon 2007). Mozambique’s dependence on foreign capital is claimed to give donors and other external agencies substantial influence over policy choices, priorities, and strategies (Krause and Kaufmann 2011).

This is reflected in economic and political reforms that, apart from the brief attempt to create a national project after independence, have largely been externally driven (Hanlon and Smart 2008; Lavers 2015). The main instruments that should guide Mozambique’s macro-economic focus in development projects are the Poverty Reduction Strategy Paper (GoM 2011) and the Government’s Five Year Plan (GoM 2010). While there are no formal requirements for what these documents should contain, based on years of experience with international financing institutions, recipient countries tend to know what they need to include in order for them to be approved. According to Lavers (2015), the use of PRSPs has allowed donors to expand their role from merely funding projects to determining the core of national development strategies. These development plans are also criticised for being too broad-based. In an attempt to maintain a national consensus on development, they lack clear decisions on priorities or strategies (Castel-Branco 2011). A similar view is expressed by the Mozambican Federation of Contractors:

Politicians are taught to make policy to be like others ... Africans should start by having a vision, they are responsible for the African people ... Usually, a political strategy is lacking ... If you don’t have a strategy to know how to use it [aid, loans], you will keep

having to ask [for more] every year. The solution to this problem is a political issue
(Interview Mozambican Federation of Contractors, 14.05.13)

The feeling that Mozambique lacks a clear strategy for how external funding should be spent is supported in the literature. Mozambican public policies are said to be non-strategic, defensive, and highly receptive to pressure from donors, creditors, and various private sector groups (Castel-Branco 2011). Mozambique's history of managing external relations clearly influences the way that state actors both formulate policies and conduct negotiations. According to Castel-Branco (2001), the state has demonstrated a persistent failure to formulate policies with any substantial significance, and its continuing aid-dependence underscores a belief that 'its undoubted reliance on assistance means that it is not in a position to insist on its own priorities' (Killick et al. (2005: 50). Private-sector developments or local economic development activities often emerge from bilateral donor projects that are not linked to any national strategy or government plans. Moreover, it is often unclear whether reforms are backed by national policy and party interests, or merely reflect donors' interests (Krause and Kaufmann 2011).

The dominant ideology in economic management since the 1990s has been that the government should not interfere with business decisions (Castel-Branco 2001; 2011). The effects are particularly visible in trade and industrial policy, where Mozambique's approach in part reflects donors' reluctance to support a selective industrial policy (Krause and Kaufmann 2011). As a result, industrial policy is almost exclusively concerned with facilitating capital accumulation, and merely reflects the interests of large multinational and domestic capital. Thus, a tension develops between economic infrastructures built by and for 'big business' and development strategies concerned with reducing poverty through expanding competitive markets and the role of SMEs (Castel-Branco 2001; 2011).

This section has highlighted two intertwined challenges for the Mozambican public administration in negotiations with China. One is the continuing financial dependence of the Mozambican economy which makes the Mozambican side value the negotiation more than its Chinese counterpart, weakening Mozambique's potential power. The second is the lack of a clear development strategy in which to situate Chinese construction projects, and thus to define what Mozambique is negotiating for, beyond securing the financing.

Political and economic elites intertwined

It is also crucial to understand the dynamics and relations within the state, here understood as part of the political conditions that structure negotiations. This argument builds on a competing view of neoliberalism, which argues that liberalisation and structural adjustment in many African countries have not weakened the power of political actors, but rather allowed politicians to control the economy even more firmly (Sumich 2010). As mentioned above, Frelimo has won every election at the national level since 1975, and there is, as a consequence, a blurring between the party and the government. This undermines checks and balances between the different branches of government (Krause and Kaufman 2011).

The Mozambican elite have been quite successful in consolidating political and economic power (Buur 2014, Sumich 2008; 2010). An obvious example is how former President Guebuza (in office 2004-2014) is considered one of the richest people in the country. Throughout his period in power he expanded the network of businesses in which he had a personal stake. Other former presidents and traditional Frelimo leaders also have significant interests and shares in large domestic capital (Hanlon and Mosse 2010). Sumich (2008: 696) claims that 'the party has been able to entrench itself more deeply as its members have access to aid money provided to a democratic state and are able to engage in partnerships with a business economy taking advantage of market reforms'. The Frelimo elite have made it possible for (some) Mozambicans to get rich, but only in conjunction with the

party, and in ways that reinforce existing structures of power. In the sectors of society where Frelimo has limited interests, exclusionary practices prevail (Sumich 2008). The critical aspect here is not the alliance between political and economic power *per se*, but how these alliances prioritize their own accumulation of wealth over the interests of the majority of the population.

The government has developed strategies for industrial policy, investment promotion and on improving the business climate (Krause and Kaufmann 2011). Strategic objectives include the development and support of small and medium enterprises, promotion of linkages between small and big firms in large projects, and the encouragement of labour-intensive jobs in construction and the maintenance of infrastructure (GoM 2011). Within economic infrastructure, the goal is to support private and public investments, and within construction, the designs promoted should be those that favour the use of local materials and the involvement of local bodies (GoM 2010). However, few of these goals have been accomplished in practice.

Hansen et al (2014) claim that the ruling elite use local content rules instrumentally to maintain power – by awarding contracts, jobs and opportunities to the financiers of the ruling coalitions, instead of promoting the development of local companies. At least parts of the political elite seem to advance their own business interests rather than putting forth industrial policies that engender broad-based growth (Krause and Kaufmann 2011). According to Buur (2014), the local content market has been captured by Frelimo members closely related to Guebuza, thus blocking further development of other small and medium enterprises. Small and medium enterprises are politically weak in Mozambique, meaning that they are of little interest to the ruling political elite (Hansen et al 2014). This could hinder the opportunities for domestic construction companies' to partner with Chinese companies.

Understanding Mozambique's state capacity both in relation to a history of external control in policy-making *and* strong elite preferences illuminates what Fukuyama (2004) refers to as the dual nature of the African state – a neopatrimonial regime, often close to the President, exists in parallel with a rational bureaucracy that performs the routine tasks of public administration. In Fukuyama's view, an effect of donor-imposed stabilization and structural-adjustment programmes during the 1980s and '90s, was the use of conditionality from donors 'as an excuse for cutting back on the modern state sectors while protecting and often expanding the scope of the neopatrimonial state' (Fukuyama 2004: 27). This way of conceptualising the state shows how competing interests may exist in parallel, with both influencing the negotiating strategies of the public administration.

This section has highlighted how the economic interests of the political elite have been influential in shaping how local content is distributed. In combination with a lack of specific policies to promote macro-economic development goals, the interests of the political elite could be influential in determining whether issues of local content are brought to the negotiating table.

Entering Negotiations

The structural conditions considered above influence how the Mozambican public administration enters into negotiations with China. As conceptualised by Kim et al (2005) and Whitfield and Fraser (2010), specific negotiating strategies reflect how the Mozambican public administration perceive of their own negotiating position in relation to China and how they perceive of China's interests and policy preferences, discussed below.

It should be noted that the Mozambican public administration is well aware of the main challenge in Chinese-led construction projects – namely a lack of integration with local firms, resulting in a minimal effect on local capacity building in the construction sector:

Very often, we do not have capabilities in Mozambique to do work of the scale that they do, but we would like to be partners [in the projects]. They could at least bring our companies, right, to work with the Chinese to get know how in this, because in this situation what will happen? The Chinese come here, develop large projects, and leave nothing with us. So that is the challenge that we have (Interview, Ministry of Public Works and Housing, 25.07.13).

Despite apparent unanimity on the desirability of integrating domestic companies in large-scale construction projects (supported by representatives from the Ministry of Foreign Affairs, the Municipality of Maputo, the project owner, the Ministry of Work, and the Mozambican Federation of Contractors), these issues are not really visible in the outcome, where the Chinese company does not use any subcontractors and only the most basic supplies are bought locally.

Mozambican perceptions of relations with China

An important part of any negotiation is how each party understands own interests and strengths, and those of the other (Kim et al.'s 2005). Chinese development cooperation has a clear rhetorical strategy for distinguishing Chinese practices from those of Western donors (Mohan and Power 2008, Huang and Ren 2012), and this has been important in substantiating China's lending practices in Mozambique. Win-win contracts, mutual benefits and, in particular, non-conditionality are emphasised:

The comparison with China is that they do not have any requirements [...] When talking about Western countries in particular, they have what is known as political conditions, that they want us to behave politically in line with their interests [...] when you go to the Chinese, and they grant us a loan, they practically do not require us to do anything (Interview, Ministry of Public Works and Housing, 25.07.13).

After decades of policy conditions from traditional donors, it is liberating not having to adapt your political orientation to that of the financier. China is perceived to be more respectful of Mozambique's sovereignty than traditional donors, whose aid comes with multiple

conditions. However, what is perceived as Mozambique's 'win' in project negotiations is basically the fast delivery of affordable infrastructure. Traditional donors have generally been reluctant to finance construction projects, reflecting a shift in development focus towards education and health during the 1980s (Moss and Rose 2006). The government had tried to pitch the road project in question to its traditional donors, without success:

It is about [...] financing, right? That is the main contribution, taking into consideration that Mozambique does not have the ability to finance development projects... What we haven't been able to find with other partners, we managed to find with the Chinese (Interview, Ministry of Public Works and Housing, 25.07.13).

The Mozambican public administration is also impressed by the speed and efficiency of Chinese cooperation, especially when compared with traditional donors. In the road project, negotiations about funding from the ExIm Bank started in 2011, the deal was signed the same year, and the project launched in 2012:

If I had negotiated the [project], for example, with the World Bank, the African Development Bank, or other bilateral partners, the negotiation cycle would maybe take at least two years, at least two years... the advantage that China brings in relation to several other large projects...is that the negotiation cycle has a much shorter procedure (Interview, executive director, Mozambican project owner, 20.06.13).

The speed of Chinese projects also bears fruit, and Mozambican officials are pleased to observe that 'something is happening'. For decades, Mozambicans have enjoyed massive development assistance from traditional donors without really seeing any visible difference (Alden, Chichava and Roche 2014). China's focus on tangible development assuages an underlying impatience with creating 'development' on the part of the Mozambicans:

We have had a relation of more than three decades with the West and we see that the level of development that Mozambique has had is very low compared with the level of development that Mozambique has these 5-10 years of relationship with China. The level

of development is remarkable, there is no comparison (Interview, Municipality of Maputo, 20.10.14).

In this discourse, ‘development’ becomes modernisation, and the road project in question is firmly integrated into the same discourse. China’s development assistance through construction provides visible changes, giving the impression that China has done more to develop Mozambique than donors focusing on health, education or good governance. Such impatience on results can deplete negotiating power (Muthoo 2000). Compared to a rich country, a poor country can be ‘more eager to strike a deal early rather than later’, resulting in a weaker negotiating position (Muthoo 2000: 152). This is partly how the Mozambican public administration approaches negotiations with China.

Economic conditionality

While China does not interfere in recipient countries’ own project priorities or national policies, the economic conditions regarding contracting and supplies prevent the Mozambican public administration from negotiating on questions of local content and capacity building. While the fast delivery of affordable construction is Mozambique’s ‘win’, economic conditions represent China’s ‘win’. The Exim Bank’s concessional loans are partly designed to ‘finance the procurement of Chinese mechanical, electronic products, complete sets of equipment, technology and service and other goods by the borrowing country’ (Corkin 2013: 64-66). Consequently, Chinese contractors are awarded the contracts which stipulate that at least 50% of procurements should come from China. In the case of the road project, ExIm’s economic conditions were maintained, even though the loan, originally intended as concessional, became commercial (IMF 2012: X, footnote 4). Mozambican stakeholders seem accustomed to this practice when dealing with China:

That is normal. Everything, when it is funded by China, the work has to be done by Chinese companies (Interview, Mozambican project owner, 20.06.13).

While the Mozambican public administration is well aware that Mozambique would benefit greatly from involving national businesses in large-scale development projects, these issues are often evaluated as beyond the control of Mozambican negotiators when the ExIm Bank is the financier:

One of the great challenges that we have is [...] to develop domestic enterprises... for them to participate in these types of tenders means that we need the possibility to decide who wins these tenders. In a situation like this, where the lender requires that the company performing the work is from the country that provides the funding, we no longer have many possibilities (Interview, Ministry of Public Works and Housing, 25.07.13).

Acknowledging a dependent position

Naturally... when entering negotiations it is the one with the knife and the cheese that has the bargaining power. And Mozambique is a country that continues to be highly dependent... (Interview, Municipality of Maputo, 20.10.14).

As exemplified in the quote above, the public administration perceives its potential power in negotiations, stemming from entrenched financial dependence, as being quite weak. Mozambique continues to rely on foreign aid from its traditional donors, and China has become an important partner for Mozambique to realise its priority projects in infrastructure and other sectors. But while China offers an alternative to traditional donors and investors, this does not alter the fact that Mozambique has few other options for the funding of infrastructure projects. The fact that the ExIm Bank and the Chinese state-owned company decide the main project details is justified by this dependent position. This relates to Kim et al's (2005) understanding of dependence in negotiations – Mozambique values the negotiation more than China, as would struggle to realise the project without China's funding and expertise.

The sense of dependence is reinforced by the broader trade-relationship between China and Mozambique, playing into economic and political prior conditions (Fraser and Whitfield 2008). While Mozambique has had one of the fastest growing trade rates with China of any country (Robinson 2011), the trade relationship is highly skewed in favour of China:

The challenge is to make the cooperation more effective, because basically the Chinese give more to us than we give to them. To be in a cooperative relationship, exports to China should be on equal footing with the imports that we do from there. We are more dependent on China than they are on us (interview, Ministry of Foreign Affairs, 11.02.15).

Negotiation strategies and power tactics

So what does the Mozambican public administration base its negotiating strategies on? Which negotiating chips do they really have? The Mozambican side appear to make little use of power tactics, entering negotiations with the simple goal of securing funding for the construction project and not trying to align it with macro-economic development objectives. As such, the negotiation becomes less of a negotiation than an agreement – the Mozambicans act as though the cards are dealt before actually entering the negotiation. As mentioned above, the Mozambican public administration agrees that the main challenge of Chinese-led construction projects is the weak integration of local businesses and lack of provision of skilled positions for local workers. Such questions may be brought up during project negotiation, but they seldom end up in the contract (Ministry of Public Works and Housing 25.07.13). As a consequence, local integration becomes wishful thinking rather than part of any negotiating strategy.

However, this is not perhaps the irreversible reality it appears at first glance. Understood in the light of elite dynamics, ruling elites in Mozambique have little incentive to support the development of small and medium domestic companies in the country. According

to Hansen et al (2014, 3), ‘ruling elites rather protect and engage with domestic economic entrepreneurs who have already captured the local content markets, because this is where rents can be extracted ... in support of elite political survival strategies’. Indeed, there are several examples of successful linkage developments between Chinese and domestic firms in sectors and projects where the political elite has strong business interests (see e.g. on construction in Chichava 2014, 30-31 and Hanlon and Mosse 2010, 11, or banking in Alves 2014). This suggests that when linkage development and capacity building actually matter for the ruling elite, it is resolved in project negotiations. Keeping industrial policies vague could, as such, be understood as beneficial for the political elite, as they can choose whether or not to insist on requirements for local content.

Win-win in Practice: Understanding Outcome

There is no integration in the contract of any social responsibility, or responsibility for local labour and local jobs... There is nothing in terms of contract that requires the Chinese government to involve Mozambican companies, right? (Interview, Mozambican Federation of Contractors, 14.05.13)

The link between macro-economic strategies and specific project practices is rather weak. As mentioned, no local subcontractors are used, and only the very basic supplies are sourced from Mozambique. The use of local employment is extensive, but mainly concerns casual workers in low-skilled positions. While the public administration views the outcome as disappointing, in reality it merely reflects the issues that were brought to the table during the negotiation.

The Mozambican stakeholders justify the trade-off because where the main priority is to get the project done quickly and efficiently (Interviews, Ministry of Finance, 29.08.13, and Mozambican project owner, 20.06.13). Signing the agreement and executing the project within a short timeframe becomes more important than the implementation of macro-

economic development goals. From the perspective of the Chinese company, supplies are brought in from China or South Africa simply because local suppliers cannot deliver the required quality or quantity. Additionally, the Chinese company can access equipment and machinery through their main office in China, at a lower price than if they were to import them from Europe or purchase them locally (interview with Chinese company management 19.06.13, and head of engineers 22.08.13).

Regarding labour, regulations and hiring quotas exist that should, in theory, secure the use of local employment in foreign projects. In practice, however, the Ministry of Labour has exempted the Chinese company from these:

Yes, there is a number, or a quota [...] for the hiring of foreign labour. However, there is an exception... there is a permit exceeding the quota, which is what the [company name] currently uses (Interview, Ministry of Work, 14.08.13).

A representative from the Ministry explains that they have relaxed the quota and agreed on a larger share of Chinese workers, because the Mozambican workers do not have the required skills. A similar argument is applied regarding local supplies for Chinese-led projects. While the use of local supplies should be required, the Ministry explains how the Chinese company circumvents it:

This [the use of local suppliers] is usually a requirement, that all the material, it is regulated, it is the law... import of material is [only] done when the domestic market cannot provide it. Now, what they often do to escape this, they will tell you that the cement you produce does not have the quality of cement I need to construct the bridge. Then we no longer can say anything (Interview, Ministry of Public Works and Housing, 25.07.13).

The lack of policies facilitating linkages with the national economy can partly be explained by the weak connections between development strategies and industrial policies (Krause and Kaufmann 2011). The government has been reactive to the interests of big investors and

donors, rather than proactive or strategic about industrial policies. There is both a lack of coordination between the ministries and directorates involved, and little elaboration of the connection between policy approaches and the overall goal of poverty reduction. Different strategies exist in parallel without really addressing the crucial role of economic and industrial policies in reducing poverty (Krause and Kaufmann 2011).

Conclusion

This analysis shows that China provides Mozambique with a greater choice regarding which projects to develop and which development partner to cooperate with. China offers crucial funding for Mozambique's priority projects without policy conditions, and is prepared to fund infrastructure projects that have been neglected by traditional donors. However, specific project details, such as the use of national suppliers, subcontractors, and skills-transfer to local workers – all of which can be deemed low in the project in question – do not indicate increased leverage.

The analysis suggests that several dynamics shape the outcome of project negotiations between Mozambique and China. First, the structural conditions of asymmetry and dependence in development cooperation are not really altered when cooperating with China. China offers a package of financing, equipment, and knowledge, all of which are deemed in short supply in Mozambique. The public administration seems to accept Mozambique's dependent position in negotiations, settling for Mozambique's 'win' to be the fast delivery of affordable infrastructures. Second, the liberal policies promoted in Mozambique have not focused particularly on industrial policies, leaving the public administration with a weak policy footing for negotiating on local content in the construction sector. According to Castelo Branco (2001: 128) 'core economic programs have driven industrial policy and other forms of investment policy and strategy to the margin of economic policy'. The state assumes that

the market is sufficient to achieve growth and economic change, made possible through ‘accelerated and non-selective liberalisation’ (ibid: 135). Third, the ExIm Bank has clear requirements for how their funding should be used in project implementation, which restricts the scope for public servants to negotiate on project details. This use of economic conditionality illustrates a rescaling of conditions from the macro-political to the project level in Chinese-led ventures. Finally, small and medium construction companies in the Mozambican construction sector are insignificant to the political elite. The public administration thus lacks incentives to promote and negotiate on capacity building in the construction sector, especially in the context of a weak policy framework for industrial development. The fact that local content and cooperation are conspicuous in other Chinese-led projects, but not in this road project, could be an indication this particular project was not regarded as significant to the elite’s business interests.

Responding to the title question, Mozambican stakeholders cannot be deemed passive, but act within what they understand as their (limited) room for manoeuvre. For the Mozambican public administration, to realise the project is considered a win in itself, because it satisfies impatience with ‘making development happen’. National development priorities come second, as pushing for local content could mean that the projects are not executed, or future cooperation placed in doubt.

The analytical framework used in this article, drawing on negotiation theory (Kim et al 2005) and frameworks for understanding aid relationships (Fraser and Whitfield 2008, Whitfield and Fraser 2010), provides a way of empirically exploring how a negotiation unfolds and which structural conditions influence how power is perceived when entering negotiations. Understanding a negotiation as divided into phases also illustrates how elements of each phase are brought into the next and consequently shape the overall outcome.

This approach contributes to a more nuanced understanding of African countries' agency in the face of China, suggesting that it takes more than a broader selection of potential project financiers to make public administration play a more assertive role in specific negotiations. A wider choice of partners does not automatically change the structural conditions and historical processes faced by African states that shape how they enter into negotiations.

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