

Can the BRI Deliver High-Quality Development? A Multi-Actor Analysis of China's Overseas Economic Zones

Zeying Wu & Min Ye

To cite this article: Zeying Wu & Min Ye (18 Jul 2024): Can the BRI Deliver High-Quality Development? A Multi-Actor Analysis of China's Overseas Economic Zones, Journal of Contemporary China, DOI: [10.1080/10670564.2024.2379463](https://doi.org/10.1080/10670564.2024.2379463)

To link to this article: <https://doi.org/10.1080/10670564.2024.2379463>



Published online: 18 Jul 2024.



Submit your article to this journal [↗](#)



Article views: 162



View related articles [↗](#)



View Crossmark data [↗](#)



Can the BRI Deliver High-Quality Development? A Multi-Actor Analysis of China's Overseas Economic Zones

Zeying Wu ^a and Min Ye^b

^aLingnan University, Hong Kong, PRC; ^bBoston University, MA, USA

ABSTRACT

The Belt and Road Initiative (BRI) has evolved from its ambitious beginning into a framework focused on high-quality development (HQD), emphasizing environmental sustainability and people-centered development. This study examines to what extent these new directives are implemented in the context of China's overseas economic zones (OEs), employing a multi-actor-influence model to analyze the complex interactions and challenges inherent in these projects. Focusing on the Vientiane Saysettha Development Zone (VSDZ) in Laos, our analysis identifies three primary institutional challenges: fragmentation between the central and local governments in China, structural constraints imposed on Chinese businesses, and inadequate cooperation between Chinese and host country actors. These challenges underscore the complexities of translating Beijing's top-down policy into effective action on the ground. The paper concludes with a discussion of the broader implications of these findings for the BRI's future development.

PLAIN LANGUAGE SUMMARY

This study examines Beijing's recent strategic shift in the Belt and Road Initiative (BRI) towards high-quality development (HQD), focusing on sustainable environmental practices and enhancing local livelihoods. Our policy analysis confirms Beijing's commitment to these goals. However, challenges arise due to the BRI's decentralized implementation and the varied influences of multiple actors from both China and the host countries. We explore these challenges through a detailed case study of the Vientiane Saysettha Development Zone (VSDZ) in Laos, identifying three key issues: fragmentation between Chinese central and local governments, constraints on Chinese businesses, and inadequate cooperation between Chinese and host country actors.

Our study contributes in three significant ways. First, it adds to the discussion of Beijing's transition towards HQD and the BRI's global influence through a review of Chinese policies and an analytical model elucidating the realities of BRI implementation. Second, it theorizes that outcomes of BRI projects are shaped more by local circumstances and stakeholder actions than by policies alone. Finally, it suggests potential measures to help realize HQD within the BRI framework in the future.

KEYWORDS

Belt and Road Initiative (BRI); high-quality development; overseas economic zones (OEs); China; Laos

Introduction

The Belt and Road Initiative (BRI) has celebrated its tenth anniversary. Initially hailed as the 'project of the century', the BRI was characterized by both ambition and ambiguity in its first decade.¹ Since 2019,

CONTACT Min Ye  ye@bu.edu  The Pardee School of Global Studies, Boston University, 121 Bay State Road, Boston, MA, USA
¹Min Ye, 'Fragmentation and Mobilization: The Domestic Politics of the Belt and Road in China', *Journal of Contemporary China* 28 (119), (2019), pp. 696–711.

however, it has shifted to a more sustainable approach termed ‘high-quality development’ (HQD).² As the BRI enters a new phase and adapts to a post-pandemic landscape, Beijing has introduced a series of policy mandates to underscore high-quality projects in the recipient countries, with a focus on environmental sustainability and the so-called ‘people-centered development’ (PCD).³ This study probes into the implementation of these new directives in China’s overseas economic zones (OEZs) and assesses the feasibility of realizing HQD in host countries.

The BRI’s development is subject to a myriad of domestic and international factors likely to evolve in the upcoming years. Currently, discourses about its new phase are deeply polarized. Some dismissed the shift to HQD as mere strategic rhetoric aimed at enhancing China’s global images, rather than a substantive change in the BRI’s direction.⁴ Others, however, considered the shift as an extension of China’s domestic development toward sustainability and common prosperity.⁵ In this study, we take a different approach by systematically investigating Beijing’s policy shift and developing a multi-actor-influence model that shows the realities of BRI implementation. Our findings are twofold. First, we confirm Beijing’s intension to shift the BRI toward high-quality development (HQD) through top-down policy guidelines. Second, we highlight the dominant role of local authorities in the actual implementation of BRI projects and various institutional challenges that complicate the pursuit of Beijing’s new mandate on HQD in such BRI projects as national-level overseas economic zones (OEZs).

OEZs have a history of predating the BRI. From the start, they have been part of China’s globalization and Beijing’s agenda to promote Chinese economic development model in the developing world.⁶ As of 2023, the central government has officially designated 20 national-level OEZs under the BRI and aligned them with the new mandate on HQD. However, like many other BRI projects, the operation of OEZs is delegated to Chinese local governments and enterprises, with specific implementation complicated by the involvement of multiple stakeholders, each playing distinct and significant roles. Given the decentralized operation structure of OEZs, how can Beijing’s directives influence the actions of local actors? To what extent can HQD be implemented in OEZs?

To address these questions, we develop a multi-actor-influence model based on the actual operation structure of national-level OEZs. This model places Chinese local governments at its center and connects them with agencies in Beijing, Chinese businesses, and actors in host countries. The model also maps out the intricate interactions between different stakeholders. We then use an in-depth analysis of the Vientiane Saysettha Development Zone (VSDZ) in Laos—one national-level OEZ openly tasked by Beijing to deliver HQD—to test the model and reveal three institutional challenges that national-level OEZs would inherently encounter in pursuing HQD under the BRI. These challenges include fragmentation between the central and local governments within the Chinese state, the constraints Chinese businesses face in balancing conflicting objectives, and the limited cooperation and coordination between Chinese and host-country actors.

The rest of the article is organized into five sections. The first section delves into the discursive debate regarding the BRI’s impacts. Second, it presents a systematic analysis of recent Chinese policy documents on high-quality BRI, confirming Beijing’s major policy shift. Third, it introduces the multi-actor-influence model that maps out different stakeholders’ roles and their interactions as well as the

²Angang Hu, Yilong Yan, Xiao Tang, and Shenglong Liu. *2050 China: Becoming a Great Modern Socialist Country* (Springer, 2021), p.21.

³The State Council, ‘Gongjian “yidai yilu”: goujian renlei mingyun gongtongti de zhongda shijian baipishu’ [The White Paper on Jointly Building ‘One Belt, One Road’: the Great Practice of Construction the Shared Future for Humanity], October 10, 2023, accessed October 17, 2023, <http://www.scio.gov.cn/gxzt/dtzt/49518/32678/index.html>.

⁴Johanna Coenen, et al, ‘Environmental Governance of China’s Belt and Road Initiative’, *Environmental Policy and Governance* 31 (1), (2021), pp. 3–17; Carolijn van Noort, ‘Visualizing China’s Belt and Road Initiative on RT: From Infrastructure Project to Human Development’, *Eurasian Geography and Economics* 64(4), (2023), pp.431–459.

⁵Qichuan Jiang, et al, ‘How Does the One Belt One Road Initiative Affect the Green Economic Growth?’ *Energy Economics* 101, (2021), 105429; Yixian Sun and Bowen Yu, ‘Greening China’s Belt and Road Initiative: From Norm Localization to Norm Subsidiarity?’ *Global Environmental Politics* 23(1), (2023), pp.91–116.

⁶Deborah Bräutigam and Xiaoyang Tang, ‘“Going Global in Groups”: Structural Transformation and China’s Special Economic Zones Overseas’, *World Development* 63, (2014), pp. 78–91.

operation structure of BRI-linked OEs. The fourth section provides an in-depth analysis of the VSDZ, revealing three institutional challenges that hinder OEs' prospect to materialize HQD under the BRI. The last section summarizes our research findings and relevant policy implications.

Debates About the BRI's Impacts: Perspectives, Critiques, and Insights

Our research is rooted in the debates surrounding the BRI's impacts over the past decade. Beijing portrays the BRI as a model of mutually beneficial cooperation, driven by consensus and centered on economic development.⁷ Outside of China, however, perspectives are markedly different. The BRI is often viewed as a tool of Beijing's 'railway diplomacy', aiming at exporting China's influence to the developing world.⁸ In particular, policy commentators in the West have defined the BRI as China's 'debt trap diplomacy'.⁹ At the same time, experiences of recipient countries have introduced further complexities and divisions. While national governments in BRI countries are largely supportive of China's approach to development, popular perceptions and local reactions often paint a contrasting picture—one filled with criticisms and concerns.¹⁰

To address relevant debates, scholars have published scholarly works in various special issues dedicated to the discussion on China's global impacts through the BRI. For instance, in the volume 'Exploring the Parameters of China's Economic Influence', Scott Kastner and Margaret Pearson scrutinized China's intentions, mechanisms, and the broader implications of its rise in the global system.¹¹ In their work 'China's Capital Goes Global', Min Ye and Weiyi Shi bridged theoretical and empirical inquiries, exploring China's outbound investment from both domestic and international perspectives.¹² Additionally, Mingjiang Li and other scholars conducted comparative studies of BRI projects in Asia and Africa, presenting their case studies sequentially in the journal *World Development*.¹³ These studies offered valuable insights into the diverse impacts and outcomes of specific BRI projects. Furthermore, researchers based in China have published their systematic investigations on the BRI's development over the past decade, primarily highlighting the initiative's achievements and challenges from Beijing's perspective.¹⁴

Regarding the BRI's effects on China's popularity and soft power projection, there are divergent views as well. Some argued that the U.S. might have underestimated the BRI's long-term transformative ambitions and effects.¹⁵ Others, however, treated the initiative with caution, questioning

⁷The State Council, 2023.

⁸Yoon Ah Oh, 'Power Asymmetry and Threat Points: Negotiating China's Infrastructure Development in Southeast Asia', *Review of International Political Economy* 25(4), (2018), pp.530–552; Gerald Chan, *Understanding China's New Diplomacy: Silk roads and Bullet Trains* (Edward Elgar Publishing, 2018).

⁹Jones Lee & Shahar Hameiri, *Debunking the Myth of 'Debt-trap Diplomacy': How Recipient Countries Shape China's Belt and Road Initiative* (Chatham House, UK, 2020); Shalendra D. Sharma, 'China and Debt-Trap Diplomacy: A Brief Assessment', in Ndongo Samba Sylla (eds.), *Imperialism and the Political Economy of Global South's Debt* (Emerald Publishing Limited, 2023), pp. 223–230.

¹⁰Edgar Pang, "'Managing reliance": The Socio-Economic Context of the Chinese Footprint in Laos and Cambodia', *ISEAS Perspective*, no.67, (2017), pp. 1–7; Xiaoyang Tang, '8 Geese Flying to Ghana? A Case Study of the Impact of Chinese Investments on Africa's Manufacturing Sector', *Journal of Contemporary China* 27(114), (2018), pp. 924–941; Linda Calabrese and Yue Cao, 'Managing the Belt and Road: Agency and development in Cambodia and Myanmar', *World Development* 141 (105297), (2021), pp.1–13.

¹¹Scott L. Kastner & Margaret M. Pearson, 'Exploring the Parameters of China's Economic Influence', *Studies in Comparative International Development* 56(1), (2021), pp.18–44.

¹²Weiyi Shi and Min Ye, 'Chinese Capital Goes Global: the Belt and Road Initiative and Beyond', *Journal of East Asian Studies* 21(2), (2021), pp.173–192.

¹³Ana Cristina Alves, Xue Gong, and Mingjiang Li, 'The BRI: A New Development Cooperation Paradigm in the Making? Unpacking China's Infrastructure Cooperation along the Maritime Silk Road', *World Development* 169(106280), (2023), pp.1–7.

¹⁴Weidong Liu and others (eds.), *Gongjian lvse sichou zhilu: kexue lujing yu anlie* [Jointly Construct the Green Belt and Road: Scientific Pathways and Cases] (Shangwu Publisher, 2023); Biliang Hu, 'Belt and Road Initiative for Ten Years: Impact and Prospect', *Global Journal of Emerging Market Economies* 15(2), (2023), pp.163–164.

¹⁵Nadège Rolland, 'China's "Belt and Road Initiative": Underwhelming or Game-Changer?' *The Washington Quarterly* 40(1), (2017), pp.127–142; Baohui Zhang, 'When Civilisational Clashes Meet Power Shifts: Rethinking Global Disorder', *The Chinese Journal of International Politics* 15 (4), (2022), pp. 352–373.

China's capacity to fulfill its promises.¹⁶ Suisheng Zhao, for instance, suggested that the BRI's name recognition surpassed its substance, pointing out that China has yet to address numerous challenges on the ground.¹⁷ Maria Repnikova examined China's soft power influence through and beyond the BRI and found that China's efforts had been effective in Africa, driven by practical incentives, but such effectiveness had not translated to major industrialized nations largely due to ideological concerns.¹⁸

Seeing from the lens of recipient countries, the BRI research also revealed a spectrum of perceptions among local populations and evolving attitudes of local governments toward the BRI. In Europe, studies indicated that, in comparison to Russian interference, China's political influence efforts had received relatively less scrutiny.¹⁹ Lately, however, concerns among European nations are rising. There has been a shift from what were initially positive attitudes among the EU's leaders to a more vigilant stance.²⁰ In Africa, research led by Deborah Bräutigam and her team highlighted variations in the actual implementation of different BRI projects across the continent.²¹ Similarly, studies on other regions reported mixed outcomes. Notably, after the COVID-19 pandemic, doubts regarding the BRI's prospects have increased, both within and outside of China, partially due to the escalating geopolitical tensions between China and the U.S., and China's own economic slowdown.²²

While debates on the BRI's effects remain inconclusive, it is evident that significant gaps exist between Beijing's top-down policy directives and the BRI's actual implementation on the ground.²³ This discrepancy prompts an exploration into the underlying causes. In explaining the mixed outcomes and perceptions of the BRI, scholars outside China often highlighted several factors unique to Chinese political economy, which included China's opaque communication, heavy-handedness, and a lack of local knowledge in project execution.²⁴ Commentators within China, on the contrary, pointed to what they perceived as a Western-launched 'information war' against China, particularly in the framing of 'debt trap diplomacy'.²⁵ Oriented toward problem-solving, Chinese policy analysts yet identified four areas of criticisms on the BRI: problematic practices in loan-making and financing, insufficient transparency and concerns about corruption, inadequate progress in promoting inclusive development, and apprehensions about the sustainability of the development initiatives.²⁶

Highlighting the BRI's decentralized implementation process, scholars like Min Ye and Courtney Fung have emphasized the significance of examining Chinese intermediaries in order to understand the BRI's actual impacts. These intermediaries include a diverse array of sub-state actors operating

¹⁶David Shambaugh, *China Goes Global: The Partial Power* (Oxford University Press 2013); Richard Q. Turcsanyi, 'Assessing the Power of China: Insights from the Conceptual Thinking about Power' *Journal of Chinese Political Science* 22(3), (2017), pp.473–486.

¹⁷Suisheng Zhao, 'China's Belt-Road Initiative as the Signature of President Xi Jinping Diplomacy: Easier Said Than Done', *The Journal of Contemporary China* 123(29), (2020), pp. 319–335.

¹⁸Maria Repnikova, *Chinese Soft Power, Elements in Global China* (Cambridge University Press, 2022).

¹⁹Thorsten Benner (eds.), *Authoritarian Advance: Responding to China's Growing Influence in Europe* (CPPI & Merics, 2018).

²⁰Julie T. Miao, 'Understanding the Soft Power of China's Belt and Road Initiative through a Discourse Analysis in Europe', *Regional Studies, Regional Science* 8(1), (2021), pp. 162–177.

²¹Deborah Bräutigam and Haisen Zhang, 'Green Dreams: Myth and Reality in China's Agricultural Investment in Africa', *Third World Quarterly* 34(9), (2013), pp.1676–1696; Deborah Brautigam, *Will Africa Feed China?* (Oxford University Press, 2015).

²²The authors' interviews with scholars, businessmen and officials within China confirmed rising domestic concerns regarding the BRI's future prospect. For external doubts, see Vera Schulhof and others, 'The Belt and Road Initiative: What will It Look Like in the Future?' *Technological Forecasting and Social Change* 175(121306), (2022), pp.1–17.

²³Florian Schneider, 'Actors and Agency in China's Belt and Road Initiative An Introduction', in Florian Scheider (ed.) *Global Perspectives on China's Belt and Road Initiative* (Amsterdam University Press, 2021), pp.11–31; Calabrese and Cao (n 5).

²⁴Larry Diamond and Orville Schell (eds), *China's Influence and American Interests: Promoting Constructive Vigilance*, (Hoover Press, 2019); Miao (n 21).

²⁵Huiyao Wang and Miao Lu. *Understanding Globalization, Global Gaps, and Power Shifts in the twenty-first Century CCG Global Dialogues* (Springer Nature, 2022).

²⁶Pingsheng Tao, 'Quanqiu zhili shijiaoxia gongjian "yidaiyilu" guoji guize de zunxun, wangshang he chuangxin' [Jointly Building, Improving and Innovating the International Rules of the BRI from the Perspective of Global Governance], *Guanli shijie [Management World]* 36(5), (2020), pp.161–171.

abroad, as well as domestic institutions within host countries.²⁷ This sub-national observation was echoed by other foreign policy analysts and IPE experts who noted the important role of Chinese local authorities in shaping international relations and economic cooperation between China and foreign countries.²⁸ Overall, they suggested that understanding local perspectives was essential for fully grasping the outcomes of China's global influence.

Our analysis follows the call to examine the multiple stakeholders involved in the BRI. By developing a multi-actor-influence model, we unveil the roles of different stakeholders and the institutional structure shaping their interactions. Our analysis demonstrates the structural and institutional foundations of BRI projects, illuminating the persistent discrepancies between Beijing's policy directives and the actual on-the-ground implementation of the BRI. Moving beyond existing literature that emphasized solely the actors' agency or structural influences, our study highlights the BRI's execution as a dynamic result of the interplay between both factors.

Beijing's New Mandate: High-Quality Development in BRI 2.0

From 2013 to 2018, the BRI underwent its initial phase, with a primary focus on fostering China's connections with participating countries through infrastructure, investment, trade, and cultural exchanges. This period saw China's extensive infrastructure construction abroad and increasing exports on the one hand, but rising political and social pushback from recipient countries and beyond on the other. To begin with, the lack of regulations and environmental awareness led a series of BRI projects to cause ecological damage in host countries, triggering local protests and criticisms from international environmentalists and scientists.²⁹ Additionally, inequalities in recipient countries were found deepened as elites and urban population tended to gain more benefits from BRI projects, while others got excluded or even disadvantaged.³⁰ As a whole, despite its numerous achievements, BRI 1.0 exhibited shortcomings in terms of efficiency, sustainability, and equitable distribution of benefits.

To address these pressing concerns, Beijing initiated a strategic shift towards high-quality development (HQD) under BRI 2.0. Initially proposed by Chinese president Xi Jinping at the 18th Party Congress, HQD has since become a buzzword in Chinese leaders' public speeches and official documents at all levels.³¹ While HQD remains a broadly defined and somewhat vague concept encompassing various development goals within China, the central government has further delineated HQD as follows:

High-quality development is development that could meet people's need for a better life overtime, reflecting new development thoughts, driven by innovation, characterized by coordination, materializing green development, by ways of opening-up, and aiming at establishing a shared economy.³²

²⁷Min Ye, 'Fragmented Motives and Policies: The Belt and Road Initiative in China', *Journal of East Asian Studies* 21(2), (2021), pp.193–217; Courtney J. Fung and others, 'Conditioning China's Influence: Intentionality, Intermediaries, and Institutions', *The Journal of Contemporary China* 139(32), (2023), pp. 1–16.

²⁸Kyle A. Jaros and Yeling Tan. 'Provincial power in a centralizing China: the politics of domestic and international "development space"', *The China Journal* 83(1), (2020), pp.79–104. Audrye Wong, 'More Than Peripheral: How Provinces Influence China's Foreign Policy', *China Quarterly* 235, (2018), pp.735–757; Ling Chen, *Manipulating Globalization: the Influence of Bureaucrats on Business in China* (Stanford University Press, 2018).

²⁹Ryan McNeil and others, 'China, Birthplace of the Covid Pandemic, is Laying Tracks for Another Global Health Crisis', *Reuters*, May 16, 2023, accessed June 21, 2023, <https://www.reuters.com/investigates/special-report/global-pandemic-bats-deforestation/>

³⁰Somik V. Lall and Mathilde Lebrand, 'Who Wins, Who Loses? Understanding the Spatially Differentiated Effects of the Belt and Road Initiative', *Journal of Development Economics* 146(102496) (2020), pp. 1–18.

³¹Yan Gu, Xinxin Zhang, and Xiaoteng Ma, 'Gaozhiliang fazhan de tixihua changshi' [A Systematic Interpretation of High-quality Development], Xi Jinping jingji sixiang yanjiu zhongxin [Research Center of Xi Jinping Economic Thought], March 1, 2024, accessed April 15, 2024, https://www.ndrc.gov.cn/wsdwhfz/202403/t20240301_1364325.html

³²National Development and Reform Commission, "Shisiwu" guihua "gangyao" mingci jieshi zhi 3: gaozhiliang fazhan' [Defining Keywords of the Outline of the 14th Five Year Plan, No. 3: High-quality Development], December 24, 2021, accessed April 15, 2024, https://www.ndrc.gov.cn/fggz/fzljgh/gjzgh/202112/t20211224_1309252.html

Within the BRI framework, Beijing has also underscored the core development concepts of HQD—i.e. innovation, coordination, green development, opening-up, and a shared economy.³³ At the Second BRI Summit in 2019, a consensus was reached among leaders of BRI countries to jointly promote high-quality Belt and Road cooperation.³⁴ Specifically, ‘people-centered development’ (PCD) and sustainable development were highlighted as two foundational pillars of HQD, as President Xi declared, ‘We need to take a people-centered approach, prioritize poverty alleviation and job creation to ensure that Belt and Road cooperation delivers tangible benefits to the people of participating countries’.³⁵ Similarly, at the Third BRI Forum in October 2023, Xi reaffirmed the importance of PCD and green development as two major actions supporting the BRI’s reorientation toward HQD.³⁶

Following Xi’s remarks, Beijing’s national bureaus have introduced new policy measures to guide Chinese companies, financial institutions, and local governments to contribute to the BRI’s new development priorities, aligning them closely with the UN’s 2030 Sustainable Development Goals (SDG).³⁷ In 2021–2022, seven state agencies successively unveiled 17 new policy directives, urging support for overseas investments and economic collaborations in sectors promoting green energy and environmental sustainability.³⁸ In late 2023, the State Council published a milestone white paper to promote the BRI’s high-quality development. This document summarizes major achievements in the first decade and outlines new guidelines for the BRI’s future development. The white paper identifies three pivotal goals – *gaobiao zhun* [high standard], *kecixu* [sustainable], and *huiminsheng* [benefiting the people].³⁹ Overall, these goals are consistent with Xi’s reaffirmation on PCD and green development at the Third BRI Summit.

At the policy level, several national documents have been issued to guide BRI 2.0 toward HDQ, with, again, a focus on green development and PCD. In January 2022, for instance, the National Development and Reform Commission (NDRC) launched ‘the 14th Five-Year Plan on Modern Energy System’, highlighting China’s commitment to refrain from constructing new coal-generated power plants overseas.⁴⁰ Concurrently, the Ministry of Ecology and Environment (MEE) released guidelines that prompt Chinese investors and businesses to comply with global standards and practices to safeguard the environmental sustainability and ecological integrity of host countries. These guidelines also emphasized the importance of robust coordination and communication with local governments and communities.⁴¹ Additionally, the Ministry of Agriculture (MOA) has been fostering bilateral cooperation and investments in agricultural sectors with host countries under the BRI. To

³³Xi Jinping zai “yidai yilu” guoji hezuo gaofeng luntan kaimushi shang de yanjiang’ [Xi Jinping’s Speech in the Belt and Road Forum for International Cooperation], official website of the Second Belt and Road Forum for International Cooperation, May 14, 2017, accessed April 15, 2024, <http://2017.beltandroadforum.org/n100/2017/0514/c24-407.html>.

³⁴‘The Second Belt and Road Forum for International Cooperation (BRF): Xi Jinping Host the Summit and Delivered a Keynote Speech’, *Xinhua*, April 27, 2019, accessed June 21, 2023, https://www.gov.cn/xinwen/2019-04/27/content_5386911.htm

³⁵‘Xi’s keynote speech at the opening ceremony of the second Belt and Road Forum for International Cooperation’, *Xinhua*, April 26, 2019, accessed April 25, 2024, <https://eng.yidaiyilu.gov.cn/p/88232.html>

³⁶Jinping Xi, ‘Jianshe kaifang baorong, hulian hutong, gongtong fazhan de shijie—zai disanjie “yidai yilu” guoji hezuo gaofeng luntan kaimushihang de zhuzhi yanjiang’ [Build An Open, Tolerant, Connected, and Jointly Development World—Keynote Speech in the Opening Ceremony of the Third Belt and Road Forum], October 18, 2023, accessed October 18, 2023, https://www.mfa.gov.cn/zyxw/202310/t20231018_11162839.shtml.

³⁷Center for International Knowledge on Development, ‘China’s Progress Report on Implementation of the 2030 Agenda for Sustainable Development’, September 2021, accessed June 21, 2023, https://www.fmprc.gov.cn/eng/topics_665678/2030kcxzfzc/202109/P020211019152754484797.pdf.

³⁸Li Zhang and Xueming Gu (eds), ‘Zhongguo duiwai touzhi hezuo fazhan baogao’ [China’s Outward Investment and Economic Cooperation Report], The Ministry of Commerce (MOFCOM), 2022, p.48.

³⁹The State Council, 2023.

⁴⁰The National Development and Reform Commission (NDRC), “‘Shisiwu’ xiandai nengyuan tixi guiha’ [the 14th Five-Year Plan for A Modern Energy System], January 29, 2022, Accessed June 21, 2023, <https://www.gov.cn/zhengce/zhengceku/2022-03/23/5680759/files/ccc7dfca8f24880a80af12755558f4a.pdf>

⁴¹The Ministry of Ecology and Environment (MEE), ‘Guanyu yinfa “duiwai touzhi hezuo jianshe xiangmu shengtai huanjing baohu zhinan” de tongzhi’ [Notification on Printing ‘Guidelines for the Protection of the Ecological Environment of Overseas Investment and Cooperation Projects’], January 6, 2022, accessed June 21, 2023, https://www.mee.gov.cn/xxgk2018/xxgk/xxgk05/202201/t20220110_966571.html.

date, China has established 10 agricultural cooperation zones in various developing nations, aiming to transfer technologies and provide skill training to local farmers, thereby supporting impoverished communities.⁴²

In response to Beijing's new directive, various provinces and municipalities have aligned their BRI projects with Beijing's mandate on HQD as well. According to the Ministry of Commerce (MOFCOM), in 2022, six localities—Zhejiang, Jiangsu, Guangdong, Shandong, Hubei, and Shanghai—initiated international cooperation and high-quality overseas investments.⁴³ There were significant local disparities, however. Zhejiang, Jiangsu, Guangdong, and Shanghai leveraged their well-established local economies in high-tech sectors, positioning them favourably for overseas investments in green technologies. Shandong and Hubei, on the other hand, capitalized on their strategic geographic locations and natural resources, focusing their overseas investments on maritime and hydropower industries. These differences underscore the profound connection between the economic attributes of China's localities and the execution of their BRI projects.⁴⁴ They suggest whether specific BRI projects can succeed in achieving HQD in recipient countries depends greatly on the local conditions of participating provinces and cities.

Overseas Economic Zones: Divergent Stakeholders and Intricate Interplays

Beginning with China's 'Going Out Strategy' in 1999, many Chinese overseas economic zones (OEZs) were established before the BRI's launch. Some of them were initiated and built by Chinese private enterprises aiming for natural resources and market access abroad.⁴⁵ Under the BRI, the construction and proliferation of OEZs gained momentum.⁴⁶ Research has shown that the BRI facilitated the operation and expansion of OEZs through various means, including preferential policies, enhanced infrastructure, technological transfers, and financial investments.⁴⁷ By 2018, MOFCOM had recorded a total of 113 OEZs.⁴⁸ Among them, 20 were certified as national-level OEZs in 2016, passing MOFCOM's evaluation on economic performance and strategic importance (see Table 1).⁴⁹ Having been incorporated into the BRI, these national-level OEZs receive not only favourable policy and financial support from both China and host countries but also political supervision from the central and local governments within China. These conditions place them as better options for implementing Beijing's latest mandate on HQD, notably PCD and green development.

To push OEZs to shift towards HQD, various state agencies in Beijing have introduced new measures to provide further assistance.⁵⁰ In particular, MOFCOM and the Ministry of Natural Resources deployed 'small working groups' [*gongzuo xiaozu*] to oversee and train local officials

⁴²The International Cooperation Office of the Ministry of Agriculture (MOA), 'Guanyu zuzhi baosong jingwai nongye hezuo shifanqu he nongye duiwai kaifang hezuo shiyanqu jianshe shidian jinzhan qingkuang de tongzhi' [Notification on Organizing Reports on the Development of Overseas Agricultural Cooperation and Agricultural Opening-up Cooperation Experiment Zones], June 23, 2021, accessed June 21, 2023, http://www.gjs.moa.gov.cn/tzgg/201711/t20171110_6295862.htm

⁴³Zhang and Gu (eds), 2022.

⁴⁴Ibid.

⁴⁵Deborah Brautigam and Xiaoyang Tang, 'African Shenzhen: China's Special Economic Zones in Africa', *The Journal of Modern African Studies* 49(1), (2011), pp. 27–54.

⁴⁶Douglas Zhihua Zeng, 'Global Experiences with Special Economic Zones: Focus on China and Africa', World Bank Policy Research Working Paper No. 7240, (2015), accessed March 9, 2023, <https://ssrn.com/abstract=2594576>

⁴⁷Zhenhua Chen and Xinmeng Li, 'Economic Impact of Transportation Infrastructure Investment under the Belt and Road Initiative', *Asia Europe Journal* 19(1), (2021), pp.131–159.

⁴⁸Yanhua Chen and others, 'Development Mode and Enlightenment of the Chinese Overseas Economic and Trade Cooperation Zone in Laos: A Case Study of the Vientiane Saysettha Development Zone', *Tropical Geography* 39(6), (2019), pp. 844–854.

⁴⁹The Ministry of Commerce (MOFCOM), 'Tongguo queren kaohe de jingwai jingmao hezuoku minglu' [The List of Certified Overseas Economic and Trade Cooperation Zones], accessed March 10, 2023, <http://fec.mofcom.gov.cn/article/jwjmhqz/article01.shtml>.

⁵⁰The Ministry of Commerce (MOFCOM), 'Shangwubu deng shiqi bumen guanyu fuwu goujian xinfazhan geju tuidong bian(kua) jing jingji hezuoku gaozhiliang fazhan ruogan cuoshi de tongzhi' [Notification on Measures Issued by 17 Bureaus including MOFCOM to Support High Quality Developments of Overseas Economic Cooperation Zones], February 10, 2023, accessed June 21, 2023, <http://images.mofcom.gov.cn/wzs/202303/20230316201816795.pdf>

Table 1. China's national overseas economic zones (as of 2023)

Country	Time	Zone Name	Enterprise	Province	Ownership	Functions
Russia	2004	China-Russia (Primorsky Krai) Agricultural Industry Cooperation Zone	Heilongjiang Dongning Huaxin Economic and Trade Co., Ltd.	Heilongjiang	Private	Sectoral
Thailand	2005	Thai-Chinese Rayong Industrial Estate	Holley Group	Zhejiang	Private	Sectoral
Pakistan	2006	Haier-Ruba	Haier	Shandong	Private	Sectoral
Nigeria	2006	Lekki	China Civil Engineering and Construction Corporation	National	State-owned	Comprehensive
Russia	2006	Ussuriysk	Kangji International Investment Co., Ltd.	Heilongjiang	Private	Sectoral
Vietnam	2007	Long Jiang Industrial Park	Qianjiang Investment Management Co., Ltd.	Zhejiang	Private	Sectoral
Zambia	2007	Zambia-China	China Nonferrous Metals Corporation	National	State-owned	Sectoral
Ethiopia	2007	Eastern Industry Zone	Jiangsu Yongyuan Investment Co., Ltd.	Jiangsu	Private	Sectoral
Indonesia	2008	China-Indonesia Economic and Trade Cooperation Zone	Guangxi State Farm Agribusiness Group	Guangxi	State-owned	Comprehensive
Russia	2008	Sino-Russian Tomsk Timber Industry and Trade Cooperation Zone	AVIC Forestry Co., Ltd.	Shandong	Private	Sectoral
Cambodia	2009	Sihanoukville Special Economic Zone (SSEZ)	Jiangsu Taihu Cambodia International Economic Cooperation Zone Investment Co., Ltd.	Jiangsu	Private	Sectoral
Egypt	2009	China-Egypt Suez	Tianjin TEDA	Tianjin	State-owned	Sectoral
Uzbekistan	2009	Pengsheng Industrial Park	Wenzhou Jinsheng Trading Co., Ltd.	Zhejiang	Private	Sectoral
Laos	2010	Vientiane Saysettha Development Zone	Yunnan Construction and Investment Holding Group Co., Ltd.	Yunnan	State-owned	Comprehensive
Kyrgyzstan	2011	Asia Star agricultural industrial cooperation zone	Henan Guiyou Industrial Group Co., Ltd.	Henan	Private	Sectoral
Hungary	2011	China-Hungary Borsod Economic and Trade Cooperation Zone	Yantai Xinyi Investment Co., Ltd.	Shandong	Private	Sectoral
Hungary	2012	Central European Trade and Logistics Cooperation Zone	Shandong Dihao International Investment Co., Ltd.	Shandong	Private	Sectoral
Russia	2013	Russian Longyue Forestry Economic and Trade Cooperation Zone	Heilongjiang Mudanjiang Longyue Economic and Trade Co., Ltd.	Heilongjiang	Private	Sectoral
Indonesia	2013	Morowali Industrial Park	Shanghai Dingxin Investment (Group) Co., Ltd.	Shanghai	Private	Sectoral
Indonesia	2013	Julong Agricultural Industry Cooperation Zone	Tianjin Julong Group	Tianjin	Private	Sectoral

Source: The names of zones and operators are provided by the MOFCOM (<http://fec.mofcom.gov.cn/article/jwjmhzq/article01.shtml>, accessed March 11, 2023); other information is collected by the authors.

and enterprises involved in the construction and operation of national-level OEs.⁵¹ These efforts, however, do not alter the centrality of local authorities in OEs' actual operation. In fact, due to the involvement of multiple actors and the BRI's *de facto* decentralized arrangement in implementation,

⁵¹The Ministry of Commerce (MOFCOM), 'Shanwubu ziranziyuanbu guanyu tuidong bianjing jingji hezuotang tansuo "xiaozutuan" gundong kaifa de tongzhi' [The Notice on Promoting 'Small Groups' to Continuously Explore OEs by MOFCOM and the Ministry of Natural Resources], July 31, 2019, accessed April 16, 2024, https://www.gov.cn/xinwen/2019-07/31/content_5417445.htm.

national agencies do not exert direct control over the execution of specific BRI projects within OEZs. As Beijing now places greater emphasis on PCD and sustainable development, both of which require more local engagements, the roles of local actors become even more pronounced in deciding the extent to which OEZs can materialize Beijing's directives.

Under the BRI, most OEZs adopt public–private partnerships and the standard ‘build—operate—transfer’ (BOT) model.⁵² In this arrangement, the primary funding for construction typically comes from Beijing. Host countries may offer additional funding or incentives through favourable policies tailored for specific OEZs. Chinese companies may vie for contracts to construct and operate the zones, often securing long-term leases from host countries at no cost. Upon completion of the lease term, the host country can get back the ownership of the OEZs.⁵³ Currently, however, the vast majority of national OEZs are directly affiliated with Chinese provinces and are managed by provincial business entities (see Table 1). Under the BRI, as is detailed below, Chinese provincial governments are the real dealmakers, wielding significant influence in the establishment and operation of OEZs. As a result, the implementation of specific BRI projects in OEZs involves multiple stakeholders, forming a multi-actor-influence model with Chinese local authorities positioning at the center (see Figure 1).

As depicted in Figure 1, the multi-actor-influence model features three layers of interactions. At the core of these interactions are the local Chinese governments, which facilitate communication among central agencies, local businesses, OEZs, and various stakeholders in host countries.⁵⁴ Usually, after national leaders establish joint agreements with host countries, MOFCOM proceeds to unveil specific plans for OEZs. These plans are then opened to bids from Chinese enterprises at the local level. Provincial governments are responsible for disseminating information to local enterprises, soliciting the most qualified candidates from the applicants' pool, and recommending these enterprises to MOFCOM as potential bidders for specific OEZ projects.⁵⁵ Although local governments' recommendations need to have the final approval from MOFCOM to become effective, in this complex process, MOFCOM does not maintain direct relationships with Chinese enterprises situated in various localities. Local governments hence act as crucial intermediaries, connecting domestic enterprises with BRI projects, thereby establishing a top-down linkage that connects Beijing, local authorities, Chinese businesses, and specific OEZs (see Figure 1).

The second layer of interaction involves Chinese local authorities, Chinese businesses, and host country actors. Local governments in China, particularly those in border provinces, possess a degree of authority and autonomy that enables them to directly forge economic collaborations with foreign governments and international organizations at a transnational level.⁵⁶ This unique power allows them to launch specific development projects that connect local business sectors with foreign countries. Furthermore, these local governments extend direct policy and financial support to these regional cooperation efforts. Acting as intermediaries, bottom-up initiators, and financial backers, Chinese local authorities have been pivotal in the implementation of OEZs even before the BRI's launch.⁵⁷

Under the BRI, however, Chinese local governments do not operate with complete autonomy or uniformity with regard to national-level OEZs. Their activities are bound by the parameters set by

⁵²Changqi Wu, 'Yidaiyilu guojia jingwai jingji maoyi hezuoqu yanjiu' [Research on National-level Overseas Economic and Trade Cooperation Zones under One Belt One Road], No.43, (2019), Guanghua School of Management of Beijing University, accessed March 10, 2023, https://www.gsm.pku.edu.cn/thought_leadership/info/1007/1278.htm.

⁵³Chen and others, 2019.

⁵⁴Although the BRI is a global initiative involving the civil society and international organizations, it remains a state-led framework placing national sovereignty above anything else. Thus, the roles of IGOs and NGOs are considered limited under the BRI's current governance structure. For a detailed analysis of the role of IGOs and NGOs in the BRI, see Weila Gong and Joanna I. Lewis, 'The Role of International Engagement in Greening China's Belt and Road Initiative', *Environmental Politics* 32(7), (2023), pp. 1208–1230.

⁵⁵Wu, 2019.

⁵⁶Mingjiang Li, 'Local Liberalism: China's Provincial Approaches to Relations with Southeast Asia', *Journal of Contemporary China* 23(86), (2014), pp. 275–293.

⁵⁷Ibid.

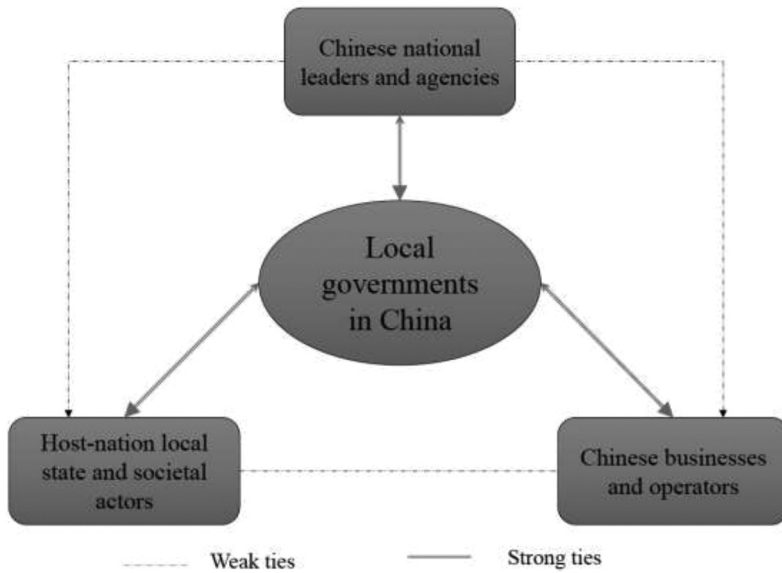


Figure 1. The multi-actor-influence model. Source: created by the authors.

central authorities, constrained by the terms of joint agreements at the national level, and influenced by their respective local development interests. For instance, in the process of selecting constructors and operators for OEZs, local governments adhere to guidelines from the MOFCOM to ensure a fair selection process based on a variety of criteria.⁵⁸ Furthermore, as mentioned, their proposals require MOFCOM's final approval to proceed. This forces local authorities to take into account a certain level of fairness and balance it with Beijing's political mandates. As a result, among the 20 listed national-level OEZs listed, five are managed by state-owned enterprises, while the remaining 15 are operated by private firms (see Table 1).

The prevalence of private operators in BRI-affiliated OEZs may demonstrate the relative competitiveness of Chinese private enterprises in relevant industries. In theory, they may also bring more economic efficiency and better developmental outcomes. Under the BRI, however, private operators have encountered difficulties balancing between economic efficiency and Beijing's political directives during actual implementation. Existing research has shown that while Beijing struggled to enforce political goals through SOEs operating overseas, the challenge was greater with private entities due to prevailing market dynamics.⁵⁹ To be sure, in cases where private investors, driven by the desire to gain market access and enhance their brand names in host countries, become genuinely interested in fostering sustainable development, the conflict between private investors' economic interests and Beijing's political mandates on HQD may not be significant. Nonetheless, when the situation goes to the opposite direction, which is often true for private investments in the developing world, it suffices to say that Beijing's top-down mandates on HQD may not effectively influence private operators' profit-seeking agenda.

Thirdly, as Figure 1 illustrates, the involvement of host country actors is crucial in BRI-linked OEZs. In particular, these actors occupy important roles in bringing the desired outcomes to local communities. Similar to their Chinese counterparts, however, host actors are also primarily driven by self-interest. According to various case studies, while national leaders and government agencies of host

⁵⁸Wu, 2019.

⁵⁹Ding Fei and Chuan Liao, 'Chinese Eastern Industrial Zone in Ethiopia: Unpacking the Enclave', *Third World Quarterly* 41(4), (2020), pp. 623–644. Xiao'ou Zhu, 'Demystifying the Role of Chinese Commercial Actors in Shaping China's Foreign Assistance: The Case of Post-war Sri Lanka', *Stability: International Journal of Security and Development* 4(1), (2015), pp. 24–42.

countries might support the BRI for the developmental opportunities and political benefits offered by Beijing, the local populations often viewed the BRI with caution and suspicion.⁶⁰ Aside from the BRI's defects, this is partially caused by the situation where local people who experience the impacts of BRI projects daily usually have no saying in the decision-making process. In contrast, business and political elites vested in the commercial interests and development prospects promised by the BRI tend to enjoy more political influence and economic benefits. Simply put, host actors' divergent interests and asymmetric power dynamics also affect significantly how specific BRI projects are implemented and perceived.⁶¹

Unpacking the complex interactions among different BRI actors, the multi-actor-influence model identifies three major institutional challenges in materializing Beijing's top-down directive on HQD through OEs. Specifically, as shown in the case of VSDZ below, conflicts can emerge when Beijing's mandates regarding PCD and green development run counter to the interests or priorities of local and host actors. The following sections will delve deeper into these challenges through a detailed analysis of VSDZ in Laos. This analysis will illustrate how different actors, each driven by their own interests and priorities, affect VSDZ's prospect to deliver HQD.

VSDZ: The Dilemma of Decentralization

Initiated by Xi Jinping, the then vice-president of China, and the president of Laos, the construction of the Vientiane Saysettha Development Zone (VSDZ) began in 2010, predating the launch of the BRI.⁶² In 2011, to show its strong commitment, the Laotian government designated VSDZ as a national-level special economic zone (SEZ) that could receive the most preferential policies in Laos. This was followed by the two national governments' formal agreement of Vientiane Saysettha Development Zone in 2012. In 2016, VSDZ was officially incorporated into the BRI framework and recognized as one of the 20 national OEs by Beijing.⁶³

VSDZ is selected for in-depth analysis for various good reasons. Firstly, the zone has been highlighted by the Chinese government as a model for China's high-quality overseas investment and business endeavors.⁶⁴ Secondly, it was openly designated by Beijing to carry out the dual mandates—to enhance the well-being of the local population,⁶⁵ and to serve as one of 'ten low-carbon pilot zones' under China's 'South-South Cooperation' framework, addressing climate change.⁶⁶ Thirdly, VSDZ's host country, Laos, is an enthusiastic supporter of the BRI. The favorable political status of VSDZ allows us to have a closer examination of different stakeholders involved and access to relevant data. This further offers an opportunity for us to clarify the operation structure of China's BRI-linked OEs, to discern the rationale and behaviors of different actors, and to scrutinize their intricate interactions. Finally, we believe that VSDZ's governance structure best exemplifies the multi-actor-influence model and that insights gained from VSDZ case can help refine the model's application in other OEs and broader BRI contexts. For instance, although initiated by national leaders, the Yunnan government, which borders Laos, served as the principal intermediary in the construction and operation of VSDZ. Yunnan Construction and Investment Holding Group Co., Ltd. (YCIH), an SOE affiliated with the Yunnan government, was solicited to coordinate with the

⁶⁰Simon Rowedder, 'Railroading Land-linked Laos: China's Regional Profits, Laos' Domestic Costs?', *Eurasian Geography and Economics* 61 (2), (2020), pp.152–161.

⁶¹Tao Song and others, 'Variegated Transnational Partnerships: Multi-Scalar Actor Networks in China's Overseas Industrial Parks', *Journal of Geographical Sciences* 31, (2021), pp. 664–680.

⁶²Saysettha Profile | History, accessed March 15, 2023, <http://www.lvdsz.com/list/zllhtzenglishPc/9/671/auto/20/0.html>.

⁶³Vientiane Capital Authority and YCIH, 'Saiseta kaifaqu xuanchuan' [Official Advertising Brochures of VSDZ], (2022), p.2.

⁶⁴Zhang and Gu (eds), 2022.

⁶⁵Zhongguo gongchandang he laowo renmingemingdang guanyu goujian zhonglao mingyun gongtongti xingdong jihua' [The Joint Action Plan on Building China-Laos Community with Shared Future of Chinese Communist Party and the Laos People Revolutionary Party], *Xinhua*, May 1, 2019, accessed April 18, 2023, http://www.gov.cn/xinwen/2019-05/01/content_5388031.htm.

⁶⁶'China-Laos Low-carbon Demonstration Zone Unveiled in Vientiane', *Xinhua*, May 2, 2022, accessed June 21, 2023, <https://english.news.cn/20220502/9437c9323f83403794b66e9aab327dc6/c.html>

Vientiane Municipality in Laos to construct and operate VSDZ.⁶⁷ VSDZ has thus involved multiple stakeholders whose roles and interactions can perfectly test the applicability of the multi-actor-influence model.

Moreover, among the 20 national OEZs listed in Table 1, only three economic zones—Lekki in Nigeria, VSDZ, and the China–Indonesia Economic and Trade Cooperation Zone—are comprehensive ones, encompassing social, economic, and industrial developments. Of these three comprehensive OEZs, VSDZ stood out with its high political profile and positive records in official reports and national leaders’ open remarks from both sides.⁶⁸ In reality, however, scholarly research on VSDZ has indicated a significant disparity between the top-down directives aimed at HQD and its actual implementation. Online official data of VSDZ, for instance, reveal that the majority of businesses registered in the zone remain labor and resource-intensive, with only a few enterprises focusing on technology and capital services.⁶⁹ This situation necessarily hinders the zone’s potential to achieve green development by itself. As detailed later, most ‘green’ facilities in the zone were supplied directly from Beijing, and many green projects have been more symbolic than substantive. In terms of PCD, the employment gains to local communities remain limited. Although the zone has attracted 125 corporations from eight countries, Chinese firms dominate. Due to the perceived relaxed work culture of Laotians and their lack of advanced skills, Chinese firms have shown a preference for Chinese workers willing to work extended hours and with superior skill sets.⁷⁰ This has resulted in a developmental conundrum: while Chinese companies bemoan a labor shortage in Laos and the nation’s restrictive policies on importing foreign workers, Laotians have not found their employment prospects improved.⁷¹ Meanwhile, there has been an evident disengagement between Chinese corporations and Laotian industries, both within or outside VSDZ.⁷²

The disconnection between Beijing’s top-down directives and the tangible outcomes on the ground is also evident in other BRI projects in Laos. Oftentimes, although both national governments aim for mutual benefits and expect local communities to prosper from BRI projects, the actual experiences of local people do not always meet these expectations. As such, the popular sentiments towards BRI projects in Laos have been mixed with criticisms and doubts. To raise one example, the recently completed China–Laos Railway was touted to transform Laos from a ‘land-locked’ nation into a ‘land-linked’ one and to bring development opportunities to the peoples on both sides. However, local Laotians have been skeptical about the projected benefits.⁷³ After the Chinese government claimed that the project employed over 30,000 Laotian workers and generated more than 5,000 local jobs, surveys among small Laotian merchants in regions like northern Thailand, northern Laos, and southern China showed a perception that China would reap greater benefits at the cost of Laos’ long-term development.⁷⁴

In a 2021 survey conducted by academics from both China and Laos, it was revealed that while many Laotians had a generally favorable view of the BRI’s impacts in areas like education, tourism, and foreign direct investment (FDI), very few believed that the BRI has improved their job prospects

⁶⁷Vientiane Capital Authority and YCIH, 2022.

⁶⁸For an example of Chinese positive reports on the VSDZ, see ‘Saiseta, dazao laowo yuanqu kaifa de dianfa’ [Saysettha, Building the Model of Economic Development Zones in Laos], *people.cn*, accessed April 21, 2023, <http://world.people.com.cn/n1/2018/0529/c1002-30021525.html>. For an example of Laotian positive reports on the VSDZ, see Advertorial Desk, ‘Number of Workers in Saysettha Development Zone Set to Soar Next Year’ (8 March 2022), *Vientiane Times*, accessed on March 10, 2023, https://www.vientianetimes.org.la/freeContent/FreeContent_Number_46.php

⁶⁹‘Kaifaqu jianjie—ruzhu qiye’ [Introduction to VSDZ—Registered Businesses], accessed June 21, 2023, http://lvsdz.com/list_zllhtzpc/7/662/auto/20/0.html.

⁷⁰Zhouying Song and others, “‘Yidai yilu’ jianshe yu laowo” [‘One Belt One Road’ Development and Laos], Chapter 12 in Weidong Liu and others (eds.), *Gongjian lvse sichou zhilu: kexue lujing yu anlie* [Jointly Construct the Green Belt and Road: Scientific Pathways and Cases] (Shangwu Publisher, 2023), pp. 368–402.

⁷¹Chen and others, 2019.

⁷²Song and others, 2023.

⁷³Rowedder, 2020.

⁷⁴Ibid.

or living conditions.⁷⁵ These findings are surprising, especially given the BRI's emphasis on PCD since 2019. The survey data suggest that while the BRI might have boosted tourism, FDI, and educational prospects in Laos, these developments have not translated directly into Laotians' better livelihood.

Despite its favorable conditions and outstanding political status, VSDZ obviously does not stand out as an exception in avoiding the discrepancy between Beijing's policy mandates and the development outcomes commonly witnessed in many other BRI projects. To find out the reasons behind this persistent discrepancy, the proposed multi-actor-influence model proves useful. The rest of the section will illustrate three complexities inherent in the institutional structure of BRI projects, where multiple actors' divergent interests and priorities may inhibit the achievements of PCD and sustainable growth on the ground.

Multi-Actor Challenge 1: The Clash of Interests Between Yunnan and Beijing

China's economic relations with its neighbors illustrate a clear pattern of decentralization, with frontier provinces often serving as dynamic catalysts or pioneers.⁷⁶ Adjacent to Vietnam, Myanmar, and Laos, Yunnan province plays a crucial role in connecting China with Southeast Asian countries. Local governments in Yunnan have often leveraged its strategic location as a key asset, actively tapping into its potential.⁷⁷ In recognition of Yunnan's strategic position, Beijing designated it as a 'bridgehead' in 2011, making it a primary interface between China and neighboring countries.⁷⁸ This granted substantial authority to the Yunnan government, enabling it to spearhead developmental initiatives in collaboration with neighboring countries directly.⁷⁹ In the case of VSDZ, on the one hand, the Yunnan government has utilized its establishment to negotiate and secure preferential policies and financial support for local development from Beijing; on the other, it has tried to make best use of development opportunities heralded by VSDZ in order to bolster the province's GDP, employment, and fiscal inflows.

While the central government shares the enthusiasm about VSDZ, its objectives and aspirations diverge significantly. For Beijing, fostering amicable relations with socialist Laos and its ruling party is more important than achieving specific economic outcomes. This role of VSDZ is highlighted in the joint action plan by the ruling parties of both countries.⁸⁰ Meanwhile, Chinese top leadership also envisions VSDZ as an exemplar to export China's developmental successes to Laos, a country recognized by the World Bank and IMF as one of the most economically underdeveloped.⁸¹ By such strategic efforts, Beijing ultimately aims to enhance China's global standing and expand its influence within the region.⁸²

Chinese local governments, while operating under a centralized political system, often have economic objectives that diverge from Beijing's directives. Local authorities may concur with the broader strategic visions set by national leaders on the one hand; on the other, they need to prioritize local business interests and developmental outcomes over ideology and diplomacy in

⁷⁵Visansack Khamphengvong and others, 'Examine the Economic and Social Effects on Lao People's Perceived Benefit Attitudes towards BRI', *Sustainability* 14(9), (2022), pp.1–19.

⁷⁶Wong, 2018; Chen, 2018; Ye, 2019.

⁷⁷Li, 2014.

⁷⁸The State Council, 'Guowuyuan guanyu zhichi yunnansheng jiakuai jianshe mianxiang xinan kaifang zhongyao qiaotoubao de yijian' [The State Council's Opinions on Supporting Yunnan Province to Quicken Development as a Bridgehead for the Opening-up of Southwest China], May 6, 2011, accessed June 21, 2023, https://www.gov.cn/zwgc/2011-11/03/content_1985444.htm

⁷⁹Tim Summers, 'The Belt and Road Initiative in Southwest China: Responses from Yunnan Province', *Pacific Review* 34(2), (2021), pp. 206–229.

⁸⁰Zhongguo gongchandang he laowo renmingemingdang guanyu goujian zhonglao mingyun gongtongti xingdong jihua' [The Joint Action Plan on Building China-Laos Community with Shared Future of Chinese Communist Party and the Laos People Revolutionary Party], *Xinhua*, May 1, 2019, accessed April 18, 2023, http://www.gov.cn/xinwen/2019-05/01/content_5388031.htm

⁸¹YCIH, 'Dongnanya wuguo lianhe diaoyanzu daofang gongsi' [Joint Research Teams of Five Southeast Asian Countries Visited the Company], April 28, 2023, accessed June 21, 2023, <https://mp.weixin.qq.com/s/gqFe6RVawp2X5EzbX4jpEw>

⁸²Deborah Brautigam and Xiaoyang Tang, 'Economic Statecraft in China's New Overseas Special Economic Zones: Soft Power, Business or Resource Security?' *International Affairs* 88(4), (2012), pp. 799–816.

their execution of BRI projects. Consequently, as suggested in previous research, local development objectives have largely driven local authorities' proactive interpretation of overarching national policies.⁸³ In the current phase of high-quality BRI, local officials also need to juggle local business needs, mandates from the central government, and their career advancements. Whenever necessary, they may sidestep Beijing's 'grand' objectives, especially those perceived as long term or with multifaceted challenges. Unfortunately, Beijing's recent directives on PCD and green development might just fall into this category for the Yunnan government.

In VSDZ, Yunnan province is the nodal player in the multi-actor-influence model, but its economy has been lagging in tech advancements and sustainable growth. The province is abundant in natural resources, and the provincial economy has been dominated by tourism and the traditional energy sector. Specifically, Yunnan's substantial hydropower resources have made it one of China's key energy hubs, transforming its capital city, Kunming, into a significant petrochemical hub for both southwestern China and Southeast Asian countries.⁸⁴ As a result, Yunnan's exports to ASEAN countries have been led by low-value manufactured goods, machinery components, and petrochemical products.⁸⁵ Contrary to Beijing's recent emphasis on environmental sustainability, for instance, the inauguration of China-Laos Railway has facilitated the expansion of burgeoning rubber plantations in Xishuangbanna—a prefecture in Yunnan adjacent to Laos—into the natural forests of northern Laos. These encroachments threatened the area's ecological equilibrium and have triggered concerns and criticisms from local Laotians, environmental advocates, and international organizations.⁸⁶

Moreover, as Beijing shifts the Chinese economy towards sustainable development at home and the coastal provinces embark on industrial upgrades, Yunnan views this as an opportunity to attract domestic industries with excess capacities to VSDZ. Many of these industries, however, are energy- or labor-intensive and do not necessarily adhere to eco-friendly or low-carbon standards. Consequently, instead of fostering sustainability, VSDZ has attracted many low-tech manufacturers seeking extractive industrial production and lenient environmental regulations. Beijing's directive to transform VSDZ into a low-carbon zone thus appears unattainable for Yunnan, with local officials supporting the central government's sustainable development in rhetoric alone.⁸⁷ To raise an example, 3 years after VSDZ being designated as a 'low-carbon pilot zone', most of the new energy vehicles and energy-saving equipment in the zone are still being supplied directly by Beijing. While Chinese media highlighted VSDZ and the China-Laos Railway as exemplar of green development,⁸⁸ Yunnan's contributions to this effort remain minimal.

Multi-Actor Challenge 2: Conflicting Mandates for Businesses

Chinese business entities, both state-owned and private, have been key players in executing BRI projects. While their primary motive is profit, executing BRI projects abroad requires a careful balance between economic efficiency and Beijing's directives as well as the local contexts of host countries. Generally, all multinational enterprises need to grapple with corporate social responsibilities in order

⁸³Min Ye, *The Belt Road and Beyond: State-Mobilized Globalization in China: 1998–2018* (Cambridge University Press, 2020).

⁸⁴Thomas Ptak and Victor Konrad, "Crossing the River by Feeling the Stones": How Borders, Energy Development and Ongoing Experimentation Shape the Dynamic Transformation of Yunnan Province', *Journal of Borderlands Studies* 36(5), (2021), pp.765–789.

⁸⁵ASEAN-China Center, 'Yunnansheng yu dongmeng guojia jingchukou zhuyao shangpin qingkuang' [Major Exports and Imports between Yunnan Province and ASEAN Nations], December 22, 2021, accessed June 22, 2023, <http://www.asean-china-center.org/trade/zxfw/Import/2021-12/9222.html>

⁸⁶McNeil and others, 2019.

⁸⁷Existing research also shows that Yunnan's local authorities have been reluctant in establishing or using legal regulations to reduce environment pollution. See Yueduan Wang, 'Embedded Supervision: China's Prosecutorial Public Interest Litigation Against Government', *Regulation & Governance*, (2024), <https://doi.org/10.1111/rego.12602>

⁸⁸Zhou Lin, 'China-Laos Green Zone Epitomizes BRI', *China Daily*, October 10, 2023, accessed October 18, 2023, http://www.chinatoday.com.cn/ctenglish/2018/sl/202310/t20231010_800344468.html

to establish legitimacy in host countries.⁸⁹ China's enterprises involved in BRI projects, however, face a greater challenge due to their limited autonomy in managing public relations, placing them at a disadvantage. Under the BRI framework, in particular, Chinese SOEs bear the dual burden of managing economic repercussions and political blunders. These constraints often restrict their ability to simultaneously achieve desired economic outcomes and foster positive relationships with local communities.⁹⁰

In VSDZ, the operator Yunnan Construction and Investment Holdings (YCIH) faces a complex interplay of mandates, which include Beijing's policy directives, the profit-driven activities of registered business enterprises, its own financial sustainability, and the socio-economic development goals of Laos. While the Yunnan government has flexibility in interpreting and implementing Beijing's guidelines, YCIH is in a more constrained position with limited autonomy to set its own course. Due to its dependence on financial backing from various Chinese authorities, YCIH frequently encounters conflicting agendas. For example, while overseen by the Yunnan government, YCIH also needs to collaborate extensively with Yunnan Office of Foreign Affairs on diplomatic tasks assigned by Beijing.⁹¹

Given the misalignment between Beijing's aspirations and Yunnan's local priorities, these assignments are often in conflict. Bearing these divergent responsibilities and fearing potential political pitfalls, YCIH typically proceeds with caution. For instance, in response to a request from the Laotian government to establish a vocational school within VSDZ in 2019, YCIH conducted a feasibility study under the scrutiny of multiple Chinese agencies. To date, without approvals from higher authorities, YCIH remains noncommittal.⁹² This, clearly, prevents it from contributing to the local community and achieving people-centered development.

Moreover, in its daily operation, YCIH behaves more like a quasi-governmental organization, enforcing strict disciplinary measures on its employees, such as holding onto their passports and imposing stringent travel and budgetary restrictions.⁹³ Unlike typical commercial enterprises, YCIH offers its staff a fixed salary. This salary, mirroring that of civil servants in the Yunnan government, provides little financial incentive for YCIH employees to enhance their working productivity and the profitability of VSDZ. As a result, although the newly inaugurated leadership at VSDZ has emphasized the need for profitability, echoing Xi's directive to strengthen the financial viability of BRI projects, profit-oriented changes in the operation of the VSDZ are yet to be realized. In fact, as noted by an YCIH employee, VSDZ has not reported a profit since its inception.⁹⁴

Multi-Actor Challenge 3: Lack of Cooperation from Host Actors

The third challenge, as shown in the multi-actor-influence model, stems from the fact that the functions of China's OEs are significantly influenced by local conditions of host countries. Public perception plays an important role, and for development to be truly people-centered, collaboration with local communities is essential. In Laos, despite strong backing from the national government, many Laotians are skeptical of the BRI's positive impacts on local development. They fear land

⁸⁹Nikolas Rathert, 'Strategies of Legitimation: MNEs and the Adoption of CSR in Response to Host-country Institutions', *Journal of International Business Studies* 47 (7), (2016), pp.858–879.

⁹⁰CRI, 'Yi "yiguoyice" dingzhihua chuanbo tisheng "yidaiyilu" guoji chuanbo xiaoguo' [Improving the International Communication Effects of 'One Belt One Road' with Designed Communication Based on 'One Country One Strategy'], June 28, 2023, accessed June 28, 2023, <https://news.cri.cn/20230628/1ef68b4f-437e-2176-357d-a4cb34d8f305.html>

⁹¹YCIH, 'Shengwaishiban zhuren yangmu dao jituan diaoyan' [The Director of the Yunnan Office of Foreign Affairs Yang Mu Visited YCIH], April 28, 2023, accessed June 22, 2023, <https://mp.weixin.qq.com/s/0tFT03jkvFGUPjLmM6BF-g>.

⁹²YCIH, 'Laowo jiaoyuyutiyubu buzhang pu ximalaweng diaoyan saisetu zonghe kaifaqu' [The Laos' Minister of Education Phout Simmalavong Visited the VSDZ], April 23, 2023, Accessed June 22, 2023, <https://mp.weixin.qq.com/s/LA8qYxV64fw9TzJ204pyzg>

⁹³YCIH, 'Dangyuan ganbu yao yange "shoujie"' [Party Members and Managers Must 'Follow Rules' Strictly], April 28, 2023, accessed June 22, 2023, https://mp.weixin.qq.com/s/VYjGYZ_H45wuzHnxY1YA.

⁹⁴The authors' interview with an YCIH employee.

dispossession to foreign investors without seeing tangible benefits for local communities.⁹⁵ The construction of VSDZ and related infrastructure projects, for instance, has led to resettlement problems for rural Laotians.⁹⁶ Furthermore, Laos lacks stringent regulations and has seen a rise of corruption at different levels, leading its political elite and big businesses to exhibit opportunistic behaviors in dealings related to the BRI. Even more concerning is the fact that some have initiated informal, and occasionally illicit, ventures under the BRI banner.⁹⁷ These actions clearly strayed from Beijing's intention to promote high-quality BRI.

In contexts where local stakeholders do aspire to leverage BRI projects for community development, the limited administrative capacity, inadequate wealth distribution mechanisms, and insufficient relocation plans prevent the benefits from reaching the general public of Laos.⁹⁸ According to existing research, BRI projects typically face more challenges in nations characterized by weak governance.⁹⁹ For example, in Myanmar, persistent political upheaval has disrupted the implementation of various BRI projects, including the Kyaukphyu Special Economic Zone, which aims to provide job opportunities for the indigenous Rakhine community.¹⁰⁰ Similarly, in African countries like Ethiopia, Chinese OEs have struggled to deliver economic benefits to the general populace due to domestic political issues and local corruption.¹⁰¹ Without doubt, the governance capacity of local governments in host countries is most crucial in bringing and sustaining the BRI's development outcomes at the local level.

Compounding these issues, China does not impose stringent guidelines on the actions of host actors while promoting China's diplomatic principle of non-interference in the domestic affairs of other sovereign countries under the BRI. As a part of China's global approach, the BRI emphasizes the importance of national sovereignty and has introduced the 'Principle of Party Autonomy' in dispute resolution. This principle allows entities from participating countries the flexibility to choose any domestic or international legal frameworks with which they are familiar.¹⁰² The flexibility of choosing different laws results in limited accountability on the part of host actors and fosters an imbalanced relationship between Chinese operators and their local counterparts. Specifically, as Chinese firms are held politically and legally responsible for errors, host actors face little to no repercussion.

In VSDZ, the interaction between YCIH and Laotian officials presents a similar yet different dilemma. Although YCIH has been granted full rights to the zone's development, it is not perceived by Laotian officials as an equal partner due to its business nature. Instead, Laotian authorities tend to view the true decision-makers in the Chinese central or provincial governments, leading them to favor direct communications with their equivalents in Beijing or Yunnan. This unequal dynamic has resulted in situations where YCIH has completed infrastructure or site construction according to plans, but Laotian local stakeholders did not utilize these facilities and often exclude YCIH from important community deliberations.¹⁰³

Clearly, within the framework of the BRI, the lack of structured guidelines and the resultant imbalanced interactions between Chinese enterprises and host actors have hindered OEs' local

⁹⁵Pang, 2017.

⁹⁶Dongxue Li and Xingping Wang. 'Land-Use Change and Efficiency in Laos' Special Economic Zones', *Land* 10(10), (2021), pp. 1012–1031.

⁹⁷For specific examples, see Pinkaew Laungaramsri, 'China in Laos: Enclave Spaces and the Transformation of Borders in the Mekong Region', *The Australian Journal of Anthropology* 30 (2), (2019), pp.195–211.

⁹⁸Laungaramsri, 2019.

⁹⁹Ibid.

¹⁰⁰The Sandi Governance Institute of Myanmar, 'Kyaukphyu Special Economic Zone', 2021, accessed October 19, 2023, https://www.brimonitor.org/wp-content/uploads/2021/08/CS_KPSEZ.pdf

¹⁰¹Feiling Weng and others, 'Aisaiebiya gongye yuanqu yanjiu' [Research on Industrial Zones in Ethiopia], Chapter 15 in Weidong Liu and others (eds.), *Gongjian lvse sichou zhilu: kexue lujing yu anlie* [Jointly Construct the Green Belt and Road: Scientific Pathways and Cases] (Shangwu Publisher, 2023), pp. 369–504.

¹⁰²China International Commercial Court, 'Opinion Concerning the Establishment of the Belt and Road International Commercial Dispute Resolution Mechanism and Institutions', June 27, 2018, accessed June 22, 2023, <https://cicc.court.gov.cn/html/1/219/208/210/819.html>.

¹⁰³The authors interview with an YCIH employee.

impacts. For VSDZ, this has significantly prevented it from realizing its economic potential and delivering tangible benefits to the Laotian people.

Conclusion

In summary, this research sheds light on Beijing's latest policy shift to pivot the BRI toward HQD, a move stemming from both external critiques and domestic development. Unpacking the structural framework of BRI-linked OEZs, this study analyzes the intricate interplays among different actors, which result in significant disparities between Beijing's top-down directives and the BRI's local implementation. Specifically, the multi-actor-influence model elucidates three institutional challenges that may hamper Chinese OEZs' prospect to effectuate HQD on the ground. As demonstrated in the case of VSDZ, these challenges stand out in scenarios where Chinese local governments' priorities do not align with green development or when Beijing's PCD mandate clashes with the immediate interests of local implementers and host actors.

To connect our analysis with broader BRI contexts, three policy implications are worth noting. To begin with, given the essential role of local Chinese governments as intermediaries among involved parties under the BRI, local governments must show genuine interests in sustainable development and PCD in order for HQD to be materialized in host countries as Beijing urges. Secondly, to reduce the political constraints and economic inefficiencies of business operators, it is imperative to grant them more political autonomy to engage with the local community and provide them with real economic incentives to transform to green development. Finally, the multi-actor-influence model highlights the importance of host actors and their collaboration in shaping the eventual outcomes of BRI initiatives. In a way, therefore, to help improve local governments' capacity becomes necessary in truly materializing HQD in host countries. For this purpose, Beijing may consider cooperation regarding local governance capacity building under the BRI, although, in the long run, this may challenge China's diplomatic principle on non-interference in other countries' domestic affairs.

Disclosure Statement

No potential conflict of interest was reported by the author(s).

Funding

The fieldwork of this research is funded by Seed Research Fund (F#102283) provided by Lingnan University in Hong Kong. An early draft of this paper was presented in the annual conference of AAS 2023. The authors would like to express their deep appreciation for the constructive feedback from Maria Repnikova, the anonymous external reviewers and the chief editor of *JCC*.

ORCID

Zeying Wu  <http://orcid.org/0000-0003-3371-4504>