

# The Role of Chinese State-Owned Enterprises (SOEs) and Recipient Governments in China's Cross-Border Infrastructure Projects

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## Research Question

What is the role of Chinese state-owned enterprises (SOEs) and recipient governments in the development and execution of Chinese cross-border infrastructure projects?

## Background

- Belt and Road Initiative (BRI), the umbrella for China's cross-border infrastructure projects, is central to its foreign policy.
- Other states have political concerns about China's strategic goals and debt-trap diplomacy.

## Purpose / Goals

- Better understand the internal dynamics of BRI.
- Understand whether China's infrastructure projects are part of a grand strategy or ad hoc.



Hambantota Port  
Image by Lakruwan Wanniarachchi



Gwadar Port  
Image by Getty Images

## Literature Review

### Debate #1: China's Role in Cross-Border Infrastructure Projects

#### Unilateral Actor

Proposes strategically-designed projects.

#### Financier

Recipient govts and SOEs propose projects, and China chooses which to finance.

### Debate #2: China – SOE Relations

#### SOEs as Arm of State

Seek national interest.

#### SOEs as Independent Actors

Independent and profit-driven.

#### Principal – Agent Relationship

Agents of China--interests may conflict or align.

## Argument

### Financier + Principal-Agent Relationship

**Hypothesis:** SOEs and recipient governments are both powerful actors in China's infrastructure projects and seek to maximize their own interests.

## Research Design

### Case study of China-funded projects:

**Gwadar Port** (Pakistan)

**Hambantota Port** (Sri Lanka)

Examine how recipient government and relevant SOEs behave with respect to each project.

## Findings

### Notable SOE Behavior

Gwadar Port + Other CPEC Projects	Hambantota Port
Port operator was established by China to operate Gwadar	SOE lobbied Sri Lanka and Chinese government
Negotiates with Pakistan to maximize profits	Inflated project proposal and costs

### Notable Recipient Government Behavior

Gwadar Port + Other CPEC Projects	Hambantota Port
Project met domestic needs	Project met domestic needs
Sought funding from other countries before China	Sought funding from other countries before China
Proposed the project	Proposed the project after SOE lobbying

**SOEs:** 1) opportunistic profit-seekers, 2) sometimes profiteering by inflating costs, 3) may also act as arms of the state.

**Recipient Governments:** usually propose projects to respond to domestic need.

## Implications

1. Recipients have legitimate development needs
  - China provides funds when others do not
2. China is not forcing unprofitable projects
  - SOE profiteering and recipient's domestic conditions cause unsustainable projects
3. Recipient-driven initiative
  - Mix of strategy and ad hoc arrangements