

# When Chinese development finance met the IMF's public debt norm in DR Congo



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## Abstract

This dissertation explores the following research question: *To what extent, how and why do Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries?* The dissertation sheds light upon the subject matter by means of a case study of a 2007-2009 controversy around the so-called Sicomines agreement in the Democratic Republic of Congo (DRC). This agreement challenged the IMF's public debt norm, embodied in that organisation's debt limits framework, by bringing in a multibillion Chinese development finance offer from China Exim Bank on commercial terms to finance infrastructure construction and a mining project in the DRC. Theoretically, the dissertation deploys an approach to power, international politics and international organisations which draws on the work of Robert W. Cox. The dissertation's approach to norms combines Cox' work on norms with the constructivist literature on international norm change. The empirical analysis draws on primary data gathered during a total of six months of qualitative field work in the DRC.

The dissertation conceives of the IMF in Coxian terms as a 'mechanism of hegemony', and argues that its power is rooted in the material capabilities of the hegemonic state, the United States, and the other influential states on its board. The Chinese policy bank China Exim Bank is conceived of as a norm entrepreneur who, through its President Li, promotes a Chinese public debt norm, a project-based approach to debt sustainability. This norm, embodied by Chinese commercial development finance offers, is anchored in the commercial ambitions that increasingly characterises Chinese foreign policy ambitions. Chinese commercial development finance offers challenge the IMF's public debt norm because they have lower grant elements than the loans deemed concessional within the IMF's debt limits framework.

Drawing on Cox' conceptual connection between power in production, power in the state and power in international relations, the dissertation argues that that China's ability to challenge the IMF's public debt norm (power in international relations) hinges on the country's financial clout (power in the state), which in turn derives from the economic growth and trade surplus brought about by the past decades' changes in the organisation of production in China (power in production). China challenges the material base for the IMF's power in African countries because its financial clout outweighs that of the most influential states on the IMF's board. Thus, the dissertation's findings support Cox' argument that the production process is the locus from which power emerges, as well as the site where change in world orders is instigated.

The dissertation shows that the commercial development finance offers extended by China's financial institutions fundamentally alter the power dynamics of the development finance arena and has a crucial impact on the IMF's power to set norms in terms of public debt management in African countries. Because of the magnitude of the credit line brought in by means of the Sicomines agreement, the IMF compromised its public debt norm in the DRC in 2009, conducting a grant element so generous that the credit line to be extended by means of the Sicomines agreement was portrayed as highly concessional, which it is not. This compromise was the only way for the IMF to include the Sicomines agreement in the DRC's HIPC debt relief process, which at this time was of great political importance to the most influential countries on the IMF's board. The dissertation also conducts minor case studies of Chinese challenges to the IMF's public debt norm in Angola (2009) and Ghana (2011-2012), and of the formal revisions to the IMF's debt limits framework in 2009. In all three cases, the dissertation identifies compromises on the side of the IMF similar to that made by the organisation in the DRC.

In terms of China's rationale for challenging the IMF's public debt norm, the dissertation argues that there are both material and normative reasons to it. In terms of normative considerations, the Chinese public debt norm is truly seen by many stakeholders in China's financial institutions as a more appropriate approach to public debt management for developing countries. In terms of material considerations, the more permissive approach to using loans on commercial terms to finance Chinese business ventures in African countries serves the interest of a number of actors: the Chinese state, China's banks, Chinese corporations, and those Chinese workers who can find employment by means of the business ventures that the banks finance.

In conclusion, while the dissertation shows that Chinese commercial development finance offers have a crucial impact on the IMF's power to set norms in terms of public debt management in African countries, it also shows that those loans will only have this impact to the extent that they materialise. The Chinese development finance offers are not rolled out as part of an attempt to challenge and altogether replace the IMF's public debt norm in African countries, because it is not a Chinese foreign policy priority to mount such a norm challenge. Rather, they are extended for commercial reasons, and only if Chinese financiers and SOEs deem a specific commercial opportunity worthwhile.

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## Chapter 1: Introduction

Since the end of the Cold War, the power of the International Monetary Fund (IMF), the World Bank and Western donors in Sub-Saharan African (henceforth ‘African’) countries has grown. This is a paradoxical development given that the paramount *leitmotif* for contemporary Western bi- and multilateral development assistance is that of ‘recipient ownership’. The idea of recipient ownership is the most important of the ‘partnership commitments’ laid down in the 2005 Paris Declaration. This declaration, together with the 2008 Accra Agenda for Action and the 2011 Busan Partnership Declaration, lays down the international norms<sup>1</sup> that currently govern the provision of development assistance from Western donors (OECD 2008; Busan High-Level Forum 2011).

These policy documents were produced by the Organization for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC), ‘the self-proclaimed venue and voice’ (Reilly 2012, p.73) for the world’s largest donors. Recipient ownership is defined by the OECD-DAC as:

“Developing country governments [...] take stronger leadership of their own development policies, and [...] engage with their parliaments and citizens in shaping those policies” (OECD 2008, p.15).

In the normative paradigm of ‘ownership’, policy conditionalities are no longer supposed to be defined and enforced by external donors, but shall be drawn from the recipient country’s own development policies (OECD 2008, p.20). In existing scholarly literature, three main reasons are put forward as to why the power of the IMF, the World Bank and Western donors has grown in the ownership era.

First, during the Cold War, the leaderships of African countries were, to a greater or lesser extent depending on the geostrategic importance of the country, able to balance the influence of Western donors by using the strategy of ‘switching’ – playing the Western donors and the Soviet regime off against each other to improve their chances of getting financial or military support. However, when the Cold War ended, the Soviet alternative disappeared and African countries could no longer use this strategy (Fraser 2009; Kragelund 2012; Plank 1993).

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<sup>1</sup> I define a norm in Finnemore and Sikkinks terms as “a standard of appropriate behavior for actors with a given identity” (1998, p.891). International norms “set standards for the appropriate behavior of states” (1998, p.893). I engage in a more elaborate conceptual discussion around norms in the theory chapter.

The second reason is that despite the rhetoric of ‘recipient ownership’ and ‘partnership’, recipient countries’ so-called ‘own development policies’ from which donor conditionalities are supposed to be drawn, most notably the Poverty Reduction Strategy Papers, are in actual fact drafted in donor-driven processes (Fraser 2005; Whitfield & Fraser 2009). In addition, as pointed out by Abrahamsen (2004), donor conditionality framed in terms of ‘partnership’ is rhetorically characterised by consent and inclusion rather than overt discipline, and can therefore be more difficult to resist. “Partnerships”, Abrahamsen argues, “govern through the production and consent of responsible African states” (2004, p.1454). They do so, she argues, “by enlisting recipient states as partners or agents in their own self-management” (ibid).

The third reason why the power of the IMF, the World Bank and Western donors has grown in the ownership era is the debt relief process that has been underway in many heavily indebted poor countries since 1996 (Woods 2008). Given these countries’ significant debt burdens there is, as Whitfield and Fraser put it, “[a] huge incentive for recipient compliance built into the [debt relief] process” (2009, p.93). The power that the IMF, the World Bank and Western donors have over a heavily indebted poor country is the most tangible before that country has benefited from debt relief, given that it then has the most to lose from ignoring these external actors’ policy prescriptions. Namely, in order to benefit from full and irrevocable debt relief, a country must adopt and implement a Poverty Reduction Strategy Paper, fulfil the conditions stipulated in the country’s IMF programme, and implement certain key reforms (IMF 2013c).

In sum, the power of the IMF, the World Bank and Western donors has grown in African countries since the end of the Cold War because of the lack of geopolitical alternatives, the sustained donor influence over recipient countries’ development policies in the era rhetorically characterised by ‘recipient ownership’, and the necessity for many heavily indebted poor countries to gain debt relief in order to renew relations with Western donors and become credit worthy again.

This is the backdrop against which the Chinese presence in African countries started to grow decisively at the turn of the 21<sup>st</sup> century. Given that China is not a member of the OECD-DAC, scholars have suggested, or even hoped, that the Chinese presence may challenge the power of the IMF, the World Bank and Western donors in African countries. For instance, Harrison noted that “investment – direct and indirect (in the form of credit and aid) from these ‘Asian drivers’ has attained immense significance in some countries, which opens up possibilities of less neoliberal modalities of aid, investment and trade” (2010, p.10).

Tan-Mullins *et al* query whether “competitive pressures [from ‘emerging’ donors might] open up policy space for recipient countries to escape the strictures of neo-liberalism” (2010, p.859). Certain scholars even assumed that this new development will reintroduce the ‘switching’ dynamics into African countries’ aid relations. For instance, Whitfield and Fraser argued that “[t]he rise of China as an increasingly important source of development finance for African countries provides an alternative to [the] traditional donors and makes it possible again to play donors off each other” (2009, p.97).

In broad terms, it is to this subject matter that this dissertation devotes attention. However, as showed by these examples, it is important to be precise in terms of the specific focus of the investigation. Harrison refers to ‘indirect and direct investment in the form of credit and aid’; Tan-Mullins *et al* write about ‘aid from emerging donors’; and Whitfield and Fraser discuss ‘development finance’. As this dissertation will show, development finance and aid are two different facets of the contemporary Chinese presence in African countries, and the ‘investment’ notion as used by Harrison is misleading since credit and aid are not investment. Thus, it has to be clear which specific element of the power of the IMF, the World Bank and Western donors is being explored, and which facet of the Chinese presence in African countries that is in focus.

## **1. Problem formulation and research question**

This dissertation focuses on the power of the IMF, an influential organisation in African countries because of its gatekeeper role. Many of the programs of bi- and multilateral donors rely on the IMF’s assessment of a country’s commitment to reform or of its macroeconomic performance as conditions precedent to decisions on disbursement of loans or grants. The organisation’s assessments may also matter for the decisions of lenders from private capital markets. Thus, because of the ripple effects that the IMF’s assessments have in terms of the disbursement decisions taken by other donors, the IMF has a prominent position in African countries. (Evans 1999; Harrison 2010; Whitfield 2009; Bird 1996; Williams 2002; Buira 2003) This dissertation focuses specifically on the aspect of the IMF’s power that regards its power to set norms.

In order to identify a specific element of the norms governing development cooperation on which to focus the investigation, Brautigam’s (2010, pp.11–17) classification of the existing normative frameworks within the international aid architecture is helpful. She identifies five areas for which clear normative frameworks can be discerned: transparency; tied aid and export credits; social and

environmental protections; corruption and governance, and the management of debt. This dissertation focuses on the latter, because it has been at the heart of the political tug-of-war between African countries and the IMF, the World Bank and Western donors for decades. Specifically, as I discuss in more depth in chapter four of this dissertation, public debt management has formed part of the conditions attached to IMF loans ever since that organisation started to practice conditionality in 1952 (Buiru 2003). Public debt management is therefore a pertinent issue to focus on in order to shed light on the broader query of whether the Chinese presence in African countries may impact on the power of those external actors in African countries.

The IMF's debt limits framework lays down the organisation's public debt norm. This framework is central to the IMF programmes which countries have to follow in order to benefit from the organisation's support and gain debt relief. The framework is analysed in more depth in chapter four of this dissertation, but in essence it establishes limits for – or even prohibits, depending on the country's debt vulnerability – new loans on commercial terms. Permitted loans are those which are extended with low enough interest rates, long enough grace period, and long enough total repayment period. The IMF terms such permitted loans 'concessional', meaning that they are extended at low enough a cost for the borrower. The IMF uses the term 'grant element' to express the level of concessionality of a loan. (IMF 2013b)

The Chinese presence in African countries is a multifaceted phenomenon. An in-depth analysis of the different elements of this presence is conducted in chapter five of this dissertation, drawing on the case of the Democratic Republic of Congo (DRC). That analysis shows that the Chinese presence in African countries comprises numerous facets, including development aid and a variety of commercial activities, some backed by the Chinese government, others not. The only element of the Chinese presence in African countries that challenges the IMF's power to set norms in terms of public debt management are the Chinese development finance offers proposed on commercial terms to those countries. These credit lines, a facet of the Chinese presence in African countries that is backed by the Chinese government, come about as follows.

Beijing's ambitions in terms of the internationalisation of the Chinese state-owned enterprises (SOE) were initially formulated in the 'Going Global' strategy in 2001 (*zou chu qu*, literally meaning 'walk out'). The strategy encouraged the SOEs to expand overseas, capture market share and gain experience, particularly with regards to energy (Brautigam 2009, p.74; Zha & Hu 2007, pp.105–115). To encourage this, the Chinese government can provide the SOEs with credit lines that facilitate their business development. In the case of Chinese companies developing their portfolios in African countries, such

support is provided mostly by the state-owned policy bank China Export-Import (Exim) Bank and by China Development Bank, the former policy bank that was nominally commercialised in 2008 (Downs 2011, p.20; Xu 2008). Such credit lines are extended to the SOEs at market rates, on commercial terms.

On several occasions since 2000, such credit lines have been extended on commercial terms to African countries. The often large-size loans have mostly been used to finance infrastructure of a public goods character. The reimbursement of the credit lines has been linked either to the profits from a commercial venture involving an SOE, or to revenues from the debtor country's natural resource exports (Brautigam 2009, p.56). Examples of such credit lines include those extended to Angola, Ghana and the DRC.

Namely, Angola has financed post-conflict reconstruction by means of several Chinese oil-backed multibillion commercial credit lines extended by China Exim Bank since 2004 (Corkin 2011b, p.171). Ghana's Bui hydroelectric dam is financed by a mixed credit from China Exim Bank, consisting of one loan on terms that would be considered concessional by IMF standards, and one commercial credit line. The reimbursement of both credit lines extended to Ghana is backed by revenues from that country's cocoa exports (Brautigam 2009, p.175). In 2007, the DRC signed a contract for a financing arrangement by means of which the profits from a mining venture would secure the reimbursement of a multibillion commercial Chinese credit line extended to finance infrastructure reconstruction in the war-torn country. The latter case is explored in depth in this dissertation.

These credit lines have often been wrongly understood as Chinese development aid: they are not. Certainly, the Chinese development aid portfolio does include credit lines, but they are extended on concessional terms since the interest rates for those loans are subsidised by the aid budget (Brautigam 2009, pp.114, 179–180). Examples of such concessional credit lines are provided in chapter five of this dissertation. The concessional credit lines play an important role in strengthening bilateral relations between China and the beneficiary country, diplomatic ties which are important preconditions for the commercial credit lines to materialise.

The subsidised, concessional credit lines do not challenge the IMF's public debt norm. By contrast, the Chinese development finance offers extended on commercial terms challenge the said norm, because they do not qualify as concessional loans as per the IMF's grant element requirements. Thus, in order to investigate whether China impacts on the IMF's power to set norms in terms of public debt management in African countries, this dissertation focuses on the latter category of credit lines: the commercial development finance offers. The main research question guiding the research endeavour is:

- To what extent, how and why do Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries?

In this context, it is important to note that in empirical terms, the relation between 'China' and the 'IMF' is by no means dichotomous. China is the IMF's sixth largest member country and an important part of China's foreign policy ambition is to be a responsible international actor and contribute actively to the work of the IMF and the World Bank (Chin & Thakur 2010, p.127; IMF 2014c). However, as chapter five of this dissertation will show, there is a tension in Chinese foreign policy making processes between these ambitions and the market-driven considerations that underpin the provision of commercial credit lines to African countries.

This dissertation seeks to generate insights in terms of the research question raised by means of an investigation of one specific instance where a Chinese commercial development offer, the Sicominex agreement, posed a direct challenge to the IMF's public debt norm in an African country, the DRC. The dissertation explores the course and aftermath of a 2008-2009 controversy around this agreement between the IMF on the one hand and the leadership of the DRC and a consortium of Chinese companies on the other. This controversy was the first of its kind, and it is therefore a pertinent case to explore in depth. Having considered the Sicominex controversy, the dissertation explores briefly two ensuing encounters between the IMF's public debt norm and Chinese commercial development finance offers, namely in Angola in 2009 and in Ghana 2011-2012. Lastly, the dissertation also considers the revisions made by the IMF to its public debt norm in December 2009.

## **2. Empirical case study, working questions and dissertation structure**

In September 2007, an agreement was signed in Kinshasa, capital of the DRC. The signatories were Pierre Lumbi, the Congolese Minister of Infrastructure, Public Works and Reconstruction, and Li Changjin, head of one of China's biggest conglomerates, state-owned China Railway Engineering Corporation (CREC). The agreement sketched a financing arrangement which stipulated that a consortium of Chinese companies, led by CREC, would mobilise finance to capitalise a mining project and infrastructure projects of a public goods character such as roads, hospitals and schools in the DRC. Public goods infrastructure worth a maximum of US\$ 6.5 billion would be financed (Protocole 2007).

The agreement also provided the consortium of Chinese companies with mining titles in the DRC's mineral-rich, most south-easterly province, Katanga.<sup>2</sup> The loan that would finance the infrastructure projects and the mining project was, the agreement stated, to be reimbursed by means of the profits generated by the mine (ibid.). The latter would be operated by a joint venture company, formed by the consortium of Chinese companies and a number of Congolese companies (Convention de Joint Venture 2007). The joint venture company was given the name *la Sino-Congolaise des Mines* - Sicominex.

The Sicominex agreement would enable the war-torn, resource-rich DRC to access significant funds for post-conflict reconstruction, while the consortium of Chinese companies would seal a good business deal. At first sight, this may seem like any other commercial transaction. In certain respects it was, as we shall see, but it was also extraordinary in structure and magnitude. The agreement immediately became the subject of an intense debate and stirred up controversy for a number of reasons. This dissertation focuses specifically on the element of the controversy that concerned public debt management. Namely, the credit line to be extended by means of the agreement was offered on commercial terms.<sup>3</sup> Thus, it challenged the IMF's public debt norm.

As noted, the period just before a heavily indebted poor country benefits from debt relief is a sensitive 'moment' in that country's aid relations. The Sicominex agreement was perceived as particularly problematic by the IMF and the Western donors given that, at this point in time, they were working to restart the IMF programme which would eventually enable the DRC to gain debt relief. The Sicominex agreement threw a spanner in the works of this process, because the DRC would not be allowed to start a new IMF programme if it was simultaneously contracting large amounts of non-concessional debt from a Chinese bank.

After more than a year of discussion and debate, the agreement was renegotiated in October 2009 to conform to the IMF's requirements, and in July 2010 the DRC was subsequently granted \$12.3 billion in debt relief. Chapters 4-7 of this dissertation explore the course and aftermath of this controversy with a view to shedding light on the central research question raised. The analysis covers the period 2007-2012 and is guided by a number of working questions, outlined in Table 1 below.

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<sup>2</sup> Katanga province was split up in 2015 and now consists of four provinces: Haut-Katanga, Haut-Lomami, Lualaba and Tanganyika. This dissertation uses the term 'Katanga', because the region carried this name during the time period under study.

<sup>3</sup> The notion of 'commercial terms' here refers to non-concessional terms as per the IMF's definition. As we shall see in chapter six of this dissertation, the terms of the Sicominex agreement's infrastructure financing facility certainly remain more beneficial than the terms upon which a country with a sovereign credit rating as low as the DRC (B3 as rated by Moody's (2013)) would be able to access purely commercial credit on the market.

The dissertation is structured as follows. Chapter one, the present chapter, introduces the topic, the structure and the delimitations of the dissertation. Chapter two discusses the theoretical approach taken and develops the analytical framework. Chapter three discusses the methodological approach and the research design, the qualitative research methods and the material used. It also contains a discussion around validity, a reflexive account of the field research experience and a discussion around the politics of knowledge around ‘China in Africa’.

Chapters four, five, six and seven contain the dissertation’s empirical analysis. As illustrated in Table 1 below, these chapters each devote attention to one working question. The concluding chapter summarises the findings from the empirical chapters, provides a response to the central research question raised and provides suggestions for future research.

**Table 1: Working questions and structure of enquiry**

Working question number	Question	Treated in chapter
WQ 1	What constitutes the IMF’s power to set norms in terms of public debt management?	4
WQ 2	What constitutes China’s power to challenge the IMF’s public debt norm?	5
WQ 3	Why did the IMF deploy both norm-enforcing power and epistemic authority to counter the Chinese challenge to the IMF’s public debt norm in the DRC?	6
WQ 4	What was the outcome of China’s challenge to the IMF’s public debt norm in the DRC and in other African countries?	7

### 3. Delimitations

The Sicomines agreement was controversial both in the DRC and internationally for a number of reasons. For feasibility reasons, this dissertation focuses on the element of the controversy that concerned public debt management. I am aware that many readers, particularly those familiar with the Congolese context, will wonder why I have chosen to focus on this matter when there are other issues that also deserve attention. What about the lack of transparency around the Sicomines agreement? What about the allegations of corruption and the relations between the Consortium of Chinese companies and the Congolese President Kabila and his entourage? What about the concerns that the



agreement is skewed in favour of the Chinese party? What about the quality of the infrastructure projects to be implemented by means of the agreement?

These are all valid questions. Most notably, I could have written the dissertation as a contribution to the theoretical debates around extraversion and ‘African agency’ – how African leaders instrumentalise their countries’ external relations in order to secure their hold on power (Bayart 2000; Clapham 1996; Englebert 2003; 2009; Mohan & Lampert 2012). For instance, Corkin (2013) provides interesting insights into how the Angolan government has leveraged its ties to China to ensure that no external actor, including China, attains undue influence over the oil-rich country. This is an important topic, and the Congolese leadership certainly does instrumentalise its external relations, including those with China, making that they serve its purposes. However, studying these issues would have required a different theoretical framework and other empirical angles than those taken in this dissertation.

In an earlier publication, I have explored some of the other issues that I leave out of this dissertation. Namely, in Jansson (2011) I tentatively discuss the quality and pricing of the infrastructure projects, the concerns that the Sicomines agreement is skewed in favour of the Chinese party, and the implications of the agreement for the DRC’s relations to other external actors. However, one issue that I have not yet analysed is the matter that policy makers and civil society actors most commonly raise in relation to the Sicomines agreement, namely the allegations of corruption in relation to it, and the close relations between the Consortium of Chinese companies and President Kabila and his entourage.

This is undeniably an important and politically pressing issue. I have come across both regular data and anecdotal evidence concerning this matter throughout my extensive field work, but I do not have sufficient data to make empirically grounded claims. I deliberately chose not to dig deeper into the matter for feasibility and security reasons. It would have been difficult for me to access reliable data, and exploring the issue further could potentially have been a risk to my own security. The Congolese regime does not have a track record of harming foreign researchers and journalists physically, but I could for instance have been expelled from the DRC, something which would have been unnecessarily stressful. As we shall see in the methodology chapter, my experience of researching the Sicomines agreement was stressful enough even without a focus on corruption.

Although this dissertation discusses neither the allegations of corruption in relation to the Sicomines agreement nor the close relations between the Consortium of Chinese companies and President Kabila and his entourage, I do not wish to downplay the potential significance of these issues. I am aware of

the problematique of corruption in the DRC, but in this dissertation I have chosen to focus on empirical matters for which I pursued and found sufficient data.

## Chapter 2: Theory

This dissertation's approach to the IMF's power to set norms draws on Robert W. Cox's work on power, international organisations and norms. Cox' first major publication appeared in 1973 and in the four decades that passed until the publication of his memoirs in 2013, he published prolifically and became one of the most influential thinkers within IR theory. His work spanned a number of themes and he played a seminal role in terms of the development of International Political Economy and critical approaches to IR.

Prior to engaging with Cox' work and developing my own analytical framework, I review briefly the most common approaches within IR theory. Because the theoretical theme for this dissertation is the power of international organisations, I pay specific attention to this aspect in my literature review. The theoretical discussion in the first section of this chapter is structured such that I first provide an overview of the debates, and subsequently engage them in discussion.

### 1. IR theory's approaches to the power of international organisations

#### 1.1 Realism

Realist thought uses a rationalist ontology and a positivist epistemology. It draws inspiration from the Hobbesian idea of the lawless state of nature where fearful humans rival each other.<sup>4</sup> For realists, states are the main actors in international politics. The international system is understood as anarchic, meaning that there is no international authority that can prevent states from using violence against other states. This shapes the behaviour of states, making them self-interested actors who all exhibit similar features, thinking rationally and strategically in terms of how to secure their own survival. In realist thought, states have little reason to trust other states because they can never be sure about their intentions. Thus, realists view interactions between states as conflictual. A state will always seek to maximise its own power gains and practice balancing in order to ensure that no state acquires military capacities strong enough to dominate other states.

There are two main strands of realist theorising: traditional realism, represented in the works of scholars such as Carr (1962), Morgenthau (1960), Wolfers (1962) and Gilpin (1981; 1987); and

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<sup>4</sup> The remarks in this section around realism's theoretical assumptions draws on Grieco (1988), James (1989), Levy (2004), Mearsheimer (1995), Sheehan (1996), Schweller and Priess (1997), Walt (1998) and Waltz (1990).

neorealism, developed from the late 1970s onwards by scholars such as Waltz (1979; 1990), Layne (1993; 1994) and Mearsheimer (1995; 2001). While traditional realism is rooted in history and sociology, neorealism draws mainly on microeconomics. Traditional realists view power as an end in itself for states, whereas for neorealists, the ultimate goal for states is to ensure their security. While traditional realists did pay attention to the role of ideas in international politics, neorealists view ideas as responses to material circumstances with no causal importance of its own (Williams 2004; Barkin 2003).

Realists acknowledge that cooperation between states can occur, but because the international system is fundamentally competitive, cooperation is hampered by concerns that the other state may cheat or benefit more than the own state from the cooperative arrangement. Indeed, as a result, realists are in general pessimistic about the impact of interstate cooperation upon the behaviour of (powerful) states. The early realist Morgenthau acknowledged the existence of IOs, or ‘international functional agencies’, but he did not attribute much importance to them. “[T]he contributions international functional agencies make to the well-being of members of all nations”, he noted, “fade into the background” (1960, p.528).

Thus, the basic realist tenet with regards to international institutions, defined as ‘a set of rules that stipulate the ways in which states should cooperate and compete with each other’ (Mearsheimer 1995, p.8) is that they matter ‘only on the margins’ (ibid). For realists, the power of the international organisations into which the rules for interstate cooperation are incorporated hinges on the power of its most influential member states. As Waltz puts it, international organizations, or ‘supranational agents’, “soon reveal their inability to act in important ways except with the support, or at least acquiescence, of the principal states concerned with the matter at hand” (1979, p.88).

However, this position has been subject to debate within the realist camp. For instance, Schweller and Priess argued that Mearsheimer’s influential argument should not be taken as a general realist standpoint. Instead, they argued that most realists “understand that institutions can, and sometimes do, matter” (1997, p.23). For them, international regimes governing interstate relations can be established in a multipolar system that is balanced and stable. If the system is imbalanced, however, states will be more concerned over relative gains and institutions will not be effective. (1997, p.22) I continue the discussion around the realist approach to international cooperation and international regimes at the end of the subsequent section.

## 1.2 Liberal institutionalism

The main contender to the realist theoretical project has been liberal institutionalism in its different forms: functionalist integration theory, neo-functionalist regional integration theory and neoliberal institutionalism. Common to these theoretical strands is the positive outlook in terms of the prospects for, and benefits from, international cooperation. The early theoretical efforts within this strand of theory were labelled ‘functionalist’, a term deriving from the argument that collaboration in functional sectors – notably trade – cultivates trust and brings about material interdependence.<sup>5</sup>

Because such economic integration fosters common interests, so the argument goes, it ‘spills over’ into political integration and minimises conflict. In this view, international institutions are created if there is functional need and political demand to further common interests. The difference between the functionalist and neo-functionalist strand of theory was that neo-functionalist acknowledged the difficulty in identifying national political actors’ pre-given common interests, thus recognising that they may have to be persuaded into adhering to an institution and modifying their interests into common ones.

The most influential scholars within this strand of theory were Haas (1958; 1964) and Mitrany (1966), and the empirical case that they drew on was mainly the European Union. In this literature, ‘institutions’ were understood in terms of formal international organisations, conceived of as active agents who facilitate the spill-over effects of integration. Neo-functionalist was later criticised even by its founding fathers for failing to explain how European integration evolved, and in the 1970s liberal theorising evolved into neoliberal institutionalism. The formation of collective interests through international cooperation, which was one of the key interests of integration theorists, was not a central concern for neoliberal institutionalists. Thus, it faded into the background from the late 1970s until the 1990s when, as we shall see below, it resurfaced in the work of constructivist scholars (Wendt 1994, p.394).

The neoliberal institutionalist theoretical strand has its origins in the theory of complex interdependence developed by Keohane and Nye (1977). They argued that transnational connections, in particular economic ones, were increasing, while the importance of power balancing and military force for the production of hierarchy between states was in decline. Based

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<sup>5</sup> The overview of functionalism and neo-functionalist draws on Checkel 2005, Sterling-Folker 2000; Haas 1958; Nye 1970; Hansen 1969; Dolan 1975; Kratochwil & Ruggie 1986; and Reinalda 2001.

on this observation, they argued that decision making in each policy area of international politics is no longer the sole prerogative of states, as realists suggest, but is also influenced by a range of other actors on different levels, domestic, supranational and transnational, such as multinational corporations and organisations. This, they found, gives rise to interdependence, just like the functionalists had argued that economic cooperation between states does. Keohane and Nye referred to this new kind of interdependence as ‘complex’.

Keohane and Nye sought to integrate liberal and realist theorising, accepting realism’s premise of the centrality of states to world politics, but rejecting the claims that military power is the main source of power for states and that security is states’ overriding interest. Keohane and Nye argued that the notion of an ‘institution’, which for functionalists had denoted formal intergovernmental organisations, was no longer helpful given the growing importance of actors other than states in the international system, and given that the formal international organisations associated with the Bretton Woods-system had been weakened after the latter’s collapse in 1971.

Thus, Keohane and Nye instead introduced the notion of ‘international regimes’ which, they argued, facilitate cooperation and mitigate international anarchy. They defined international regimes as “governing arrangements that affect relationships of interdependence” (1977, p.19) and as “networks of rules, norms, and procedures that regularize behavior and control its effects” (ibid). (Keohane & Nye 1987)

This conceptualisation drew on Ruggie’s original definition, namely “a set of mutual expectations, rules and regulations, plans, organizational energies and financial commitments, which have been accepted by a group of states” (1975, p.570). The idea of an international regime became influential because it explained why states continued to pay attention to cooperative arrangements despite the changes in the international system. The most influential definition of an international regime was formulated in 1982 by the realist Krasner, who defines it as “principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area” (1982, p.185).

Neoliberal institutionalists conceived of IOs in a different way than functionalists, namely as only one element of international cooperation, not the main arena for it. Keohane and Nye conceived of international organisations as facilitators which institutionalise policy networks, coordinate transgovernmental policy and enable coalition building (1987, p.738). This approach to IOs was also used by Keohane in his influential *After Hegemony* (1984), neoliberal institutionalism’s magnum opus. *After Hegemony* developed Keohane and Nye’s arguments further, establishing that

neoliberal institutionalism accepts realism's premise that states are the dominant actors in the international system and that international anarchy impedes collaboration between them, while retaining the key functionalist assumption that international regimes are created to obtain and foster the collective interests of states, conceived of as rational, utility-maximising actors.

After this theoretical movement, neoliberal institutionalists and neorealists came to focus on the same issue, namely the extent to which international regimes can impact on the behaviour of states under international anarchy. During the 1980s and 1990s, the two camps debated each other on this point, a theoretical development coined 'the neo-neo synthesis' by Weaver (1996).

In essence, as noted, realists are sceptical about the prospects for collaboration. They find that international regimes are dominated by the most influential international actors, who promote their interests through the regime's rules and procedures. For realists, international regimes are arenas where power relationships are played out. In contrast, neoliberal institutionalists argue that the impediments that international anarchy places upon collaboration can be overcome, particularly if states are assisted by international regimes.<sup>6</sup>

One of the reasons for this discord is differing standpoints in terms of the relative and absolute gains that can be made from cooperation. To realists, states will always be worried that other states may cheat or gain relatively more than themselves from the cooperation. Because of an apprehension that other states may grow strong and become a threat to the own state's survival, states may exit also from well-functioning cooperative arrangements as a pre-emptive measure. Neoliberal institutionalists, in contrast, find that states engage in cooperation because doing so can bring about absolute gains through compromises and reduction of transaction costs, gains for all parties that could otherwise not come about.

Another reason for the clashing views on the prospects for collaboration between states is that realists focus more on security whereas neoliberal institutionalists put emphasis on matters of international political economy and economic interdependence, which they argue reduces the risk for exploitation in international cooperation. Neoliberal institutionalists also argue that international interaction incites learning processes and thus impacts on how states define their interests, whereas realists hold that the main interest of states remains their survival.

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<sup>6</sup> The overview of the neo-neo debate draws on Barkin (2003), Evans and Wilson (1992), Grieco (1988), Keohane (1984), Nye (1970) and Sterling-Folker (2000).

In sum, thus, the role of IOs in the liberal institutionalist approach is to facilitate cooperation between self-interested, utility-maximising rational states, either directly as in the functionalist conception, or as part of international regimes as in neoliberal institutionalist thought. However, for liberal institutionalists, even though international regimes can influence the behaviour of states, IOs as such can only exercise agency to the extent that this serves the interests of its most influential member states.

Not only do institutional arrangements as conceived by neoliberal institutionalists produce cooperation and public cosmopolitan goods, they also embody and enact power relations. “Institutions”, Barnett and Duvall note, “shape the bargaining advantage of actors, freeze asymmetries, and establish parameters for change that benefit some at the expense of others” (2005, p.41). Thus, even though liberal institutionalists look positively upon the prospects for cooperation under international anarchy, the cooperative arrangements remain rooted in the dynamics of power and interest and may still be unequal in nature. (Barnett & Duvall 2005; Keohane & Martin 1995, p.42; Puchala & Hopkins 1982)

### **1.2.1 The realist and neoliberal institutionalist conceptions of hegemony**

One of Cox’ concepts that this dissertation draws on is that of hegemony. Cox’ way of deploying the term, discussed below, differs from how realists and neoliberal institutionalists use it. For realists, a hegemonic state of affairs implies that one powerful state dominates and controls the other, less powerful states in the international system (Mearsheimer 2001, p.40). Gilpin (1981, p.29) contrasted ‘hegemony’ with two other states of affairs. The first is the bipolar structure, where two powerful states have each a sphere of influence and control the interactions between them. The second is the ‘balance of power’ situation, where three or more states control each others’ actions by means of diplomatic manoeuvring and war.

The neoliberal institutionalist approach to hegemony evolved as a critique of Kindleberger’s (1973; 1981) hegemonic stability theory, which held that in order for the world economy to be stable, a hegemonic country needs to provide leadership and public cosmopolitan goods in the form of a steady flow of countercyclical financing, and supervision of domestic monetary policies and foreign exchange rates. In times of crisis, the hegemon must also provide emergency liquidity and keep its markets open to imported goods from distressed countries. Following hegemonic stability theory, regimes will weaken if hegemony declines.



In contrast, neoliberal institutionalists argued that while a hegemonic state is indeed a prerequisite for a hegemony to be established, the endurance of the international regimes established within that particular international order does not hinge upon the hegemon. Instead, for neoliberal institutionalists, international regimes can retain causal effect even after the decline of the hegemony within which it was conceived. One of the sources of conceptual inspiration for this understanding of international regimes was the Italian philosopher Gramsci's approach to hegemony. (Antoniades 2008, p.4; Keohane 1984, p.45; Ruggie 1982, p.391) As we shall see in section two below, the Gramscian inspiration represents a point of contact between the neoliberal institutionalist and Coxian conceptions of hegemony, given that it was Gramsci's approach to hegemony that Cox developed.

### 1.3 Constructivism

The constructivist strand within IR theory evolved in the late 1980s. It explores the social construction of international politics, devoting attention to the role played by human consciousness in determining the development of international relations.<sup>7</sup> In the early years of constructivism's development, one of the pioneers in the field famously proposed a fundamentally different approach to the central concept of rationalist IR theorising: "Anarchy", he stated, "is what states make of it" (Wendt 1992).

In a constructivist ontology, reality comprises of multiple mental constructions, products of the human intellect which can be both subjective and intersubjective in nature (Guba & Lincoln 1994, pp.110–111). A central notion in the constructivist strand of IR theory is that of intersubjective knowledge – norms, ideas, beliefs and values that are shared by several subjects. For constructivists, intersubjective knowledge is an ontological reality, and it plays a constitutive role because actors' identities consist of it.

Yet, constructivism differs from relativist approaches which hold that only ideas matter. In constructivist thought, both ideational and material factors matter in terms of shaping actors' interests and behaviour, since ideas provides the cognitive frame for how the material world and the power relations therein are understood and acted upon. Certainly, within constructivism, the relative importance allocated to ideational and material factors differs. As Palan puts it, there is variation in terms of "the degree of constructivism allowed into [the] discussion" (2000, p.589).

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<sup>7</sup> The account of constructivism in this section draws on Adler (1997), Barkin (2003), Finnemore and Sikkink (2001), Hopf (1998), Palan (2000), Price and Reus-Smit (1998), Reus-Smit (1997; 2002), Ruggie (1998), Sørensen (2008) and Wendt (1995).

The different strands has been termed respectively the ‘modernist’ or ‘soft’ forms of constructivism and the ‘postmodernist’ or ‘hard’ forms, with ‘hard’ constructivists being the scholars for whom the ideational and the socially constructed takes primacy over the material.

Constructivism is a non-rational approach which views rationality as contingent upon intersubjective values. As noted by Adler, “people consciously and often rationally do things for reasons that are socially constituted by their collective interpretations of the external world” (1997, p.330). Epistemologically, the implication of constructivism’s relativist ontological posture is that knowledge is viewed as a social construction, created by the researcher and the respondent(s) throughout the research process (Guba & Lincoln 1994, pp.110–111).

The methodological approaches taken to elucidate these multiple constructions of reality differ. For certain constructivists, such an endeavour necessitates an interpretive approach, while others argue that constructivism is more distinct theoretically than methodologically and can therefore be combined with other social science research methods. Yet others argue that constructivism is most of all a method and that its main challenge lies in theory development. (Checkel 1998; Finnemore & Sikkink 2001; Reus-Smit 2002).

Following Reus-Smit (2002), constructivist scholarship has three main strands, drawing respectively on sociological institutionalism (Finnemore 1996b; Katzenstein 1996), Habermas’ theory of communicative action (Risse 2000; Reus-Smit 1999; Onuf 1989), and Foucauldian theory (Bartelson 1995; Price 1995). This dissertation’s approach to norms draws on elements of the sociological institutionalist strand of constructivist thought, and I therefore review it here.

Constructivist scholars inspired by sociological institutionalism stress the ‘logic of appropriateness’, which, following March and Olsen (1998, p.951), implies that identities, norms and institutions play an important role in determining human behaviour. According to the logic of appropriateness, “[t]he pursuit of purpose is associated with identities more than with interests, and with the selection of rules more than with individual rational expectations” (ibid.).

The opposite of the logic of appropriateness is the ‘logic of expected consequences’, the rational choice approach which assumes that actors behave according to calculations of the expected consequences of their actions (March & Olsen 1998, pp.949–950). This is the approach used for instance by the rationalist theorists of the neo-neo debate.

Early constructivist work on international cooperation focused on international regimes rather than on formal IOs. As noted, Ruggie's early definition of an international regime reads: "a set of mutual expectations, rules and regulations, plans, organizational energies and financial commitments, which have been accepted by a group of states" (1975, p.570). For Ruggie, the international regime is the second level of institutionalisation of states' collective responses to collective situations. The first level is what Ruggie termed the 'epistemic community', and the third and most concrete level is the formal international organisation. (1975, pp.569–574)

Ruggie coined the term 'epistemic community' drawing on Foucault's (1970) notion of the episteme, and used it to refer to a community where one particular understanding of social reality prevails. The epistemic community circumscribes the way in which its members can visualise political relationships. Drawing on the idea of the epistemic community, Ruggie (1982) regards international regimes as more than simply reflections of the distribution of material power among states. Instead, he conceives of them as amalgams of material power and 'legitimate social purpose'. Because international regimes, in this view, do not depend solely on material preponderance, they can gain relative autonomy and retain relevance even as the underlying dynamics of material power change, on condition that the perception of what constitutes a legitimate social purpose remains constant.

Adler and Haas (1992) developed the notion of an epistemic community further, arguing that it is useful for exploring how institutions that channel international cooperation impact on states' identity formation. Adler and Haas stressed the importance of interpretive processes for outcomes in international relations, and argue that it is within the epistemic community that it is defined which interpretations of phenomena and structures are conceivable for people and institutions. In a similar vein, Wendt (1992; 1994) argued that when states internationalise and engage in international cooperation in regimes or formal IOs, this shapes both their interests and their identities.

By the turn of the 21<sup>st</sup> century, constructivist work came to focus less on international regimes and more on formal IOs and their internal social and bureaucratic processes. This literature has been developed by constructivists using a sociological institutionalist approach. These scholars take a fundamentally different ontological approach to IOs than do realists and liberal institutionalists. Namely, constructivists view IOs neither as empty shells that are infused with value by its most influential member states, nor as facilitators for cooperation between utility-maximising, rationalist states. Instead, in the constructivist organisational approach, IOs are seen as meaningful international actors because they shape identities, interests and ideas about political

purpose, offering coherence to policy processes with uncertain outcomes. (Checkel 1998; Oestreich 2011; Reinalda 2013; Strang & Chang 1993)

Here, IOs are understood as bureaucracies who shape outcomes in international politics because they organise and control information, expertise and knowledge. In this view, IOs have ‘social construction power’ (Barnett & Finnemore 2004, p.7), or ‘epistemic authority’, which I define as the power to ‘make things known’ (Bueger 2015) and thus shape how states and non-state actors understand the world. In their seminal text *Rules for the World* (2004), Barnett and Finnemore argue that the power of IOs derives from the authority conferred to them as bureaucracies, an approach which draws on Weber’s (1978) work on bureaucratic power. (Giddens & Held 1982, p.10; Weber 1978, p.225)

For constructivists using a sociological institutionalist approach, the power of IOs also derives from their role as norm setters. For Finnemore and Sikkink (1998, p.900), large intergovernmental organisations are especially influential in this respect because they have resources and leverage to convey their normative preferences, and they have done so particularly in relation to developing countries. Oestreich (2007) explores the goals and norms promoted by IOs. He concurs with the claim that IOs have agency and can advance normative agendas, but he argues that there are limits to this agency in the sense that IOs cannot advance normative agendas if this contravenes the strong will of their most influential member states. As we shall see in section five below, Oestreich’s claim recurs in this dissertation’s approach to IOs.

### **1.3.1 The constructivist approach to international norms**

This dissertation’s Coxian-inspired analytical framework borrows the definition of an ‘international norm’ from the constructivist literature on international norm change. I therefore review that literature briefly here. For constructivist norm scholars, the theoretical benefit of studying the empirical world through the lens of norms is that it enables scholars to investigate how changes in social institutions affect politics. (Finnemore & Sikkink 1998, p.891)

Following Finnemore and Sikkink, a norm is “a standard of appropriate behavior for actors with a given identity” (1998, p.891). International norms “set standards for the appropriate behavior of states” (ibid, p.893). Norms consist of fungible intersubjective knowledge, and thus they are not static structures but evolve over time. Yet, internalised norms are not idiosyncratic in their effects, because they become embedded in social institutions and create patterns that shape the

behaviour of international actors in a structure-like fashion. (Finnemore 1996a; Florini 1996; Park & Vetterlein 2010).

As pointed out by Finnemore and Sikkink (1998), domestic and international norms are related in several ways. Certain international norms are conceived as domestic norms and subsequently become internationalised. Vice versa, actors advocating norm change domestically can draw on international norms to gain a better position in domestic debates. Thus, paraphrasing Putnam's (1988) notion of the 'two-level game' in international negotiations, Finnemore and Sikkink (1998) identify a 'two-level norm game' where domestic and international norms are interrelated.

Examples of international norms include sovereignty (Ashley 1984; Barkin & Cronin 1994; Reus-Smit 2001), the prohibition of torture (de Wet 2004), the international norm of racial equality (Klotz 1995) and the humanitarian rights norms that have gradually come to legitimise humanitarian intervention (Burley & Kaysen 1994; Donnelly 1998; Finnemore 1996a).

Finnemore and Sikkink argue that norms evolve in a patterned life cycle (1998, p.888). They identify three stages of a norm's development: norm emergence, norm cascade and norm internalisation. During the norm emergence stage, a critical role is played by norm entrepreneurs – actors who seek to convince norm leaders, often states, to adopt new norms. The advocacy of norm entrepreneurs is necessary because new norms have to contend with existing norms in a competitive normative space (Finnemore & Sikkink 1998, p.897). Park and Vetterlein (2010, p.11) also find that norm entrepreneurs, or 'non-materially powerful norm advocates' are important for propelling norm change.

Examples of norm entrepreneurs, or what Oestreich (2007, p.11) terms 'true believers', include women's suffrage organisations, in the case of women's suffrage norms (Finnemore & Sikkink 1998, pp.895–896); shareholders seeking to persuade corporations to practice Corporate Social Responsibility (Sjöström 2009); or individuals such as former UN Secretary General Boutros Boutros-Ghali, who promoted a norm of democratic governance during his time in office (Rushton 2008).

The political strategy of norm entrepreneurs is to create novel cognitive frames to make the advocated normative perspective resonate with existing discourses and become adopted as a new 'standard of appropriateness', a new 'normal' way of understanding the issue at hand (Finnemore & Sikkink 1998, p.896). For Finnemore and Sikkink, when a new norm has become the new

‘standard of appropriateness’ it has become ‘internalised’ and is no longer a matter for public debate (1998, p.985).

Prior to norm internalisation, which is the third and last stage of Finnemore and Sikkink’s norm life cycle, the second stage occurs – the norm cascade. During this stage, the early adopters of the norm try to socialise other actors, often states, into embracing the new norm by appealing to their self esteem, their ambition to gain international legitimacy and their desire to conform socially. As we shall see in the discussion on power in section 5.3 below, at play here are largely the consensual, structural aspects of power.

Park and Vetterlein develop Finnemore and Sikkink’s norm life cycle framework. The phase of Finnemore and Sikkink’s ‘norm emergence’ stage where new norms compete with existing internalised norms is termed the ‘norm contestation’ stage by Park and Vetterlein. Moreover, they collapse Finnemore and Sikkink’s two stages ‘norm cascade’ and ‘norm internalisation’ into the stage they term ‘norm stabilisation’. Thus, to Park and Vetterlein, the three stages of the norm circle are ‘norm emergence’, ‘norm stabilisation’ and ‘norm contestation’ (2010, p.240).

There is broad agreement in this literature that for a new norm to stabilise, it has to be propelled both by norm entrepreneurs and by external triggers, either of more incremental kind or in the form of external shocks. (Florini 1996; Job 2006; Park & Vetterlein 2010; Yan 2011) For instance, Crawford (1993) argues that decolonisation came about both as a result of the work of moral entrepreneurs who promoted the norm of decolonisation, the rise of nationalism and anticolonial struggle in the colonies, and because of the declining profitability of empire. Park and Vetterlein (2010, pp.234–235) argue that external triggers can also be of ideational kind, for instance an acknowledged failure of a policy norm, or mass condemnation of a norm. As we shall see below, the assumption that external triggers are necessary for norm change to occur recurs also in Cox’ thinking around norms.

## **1.4 Normative power**

As we shall see in the analytical framework in section five below, I distinguish between ‘norm-enforcing power’ on the one hand and ‘normative power’ on the other. While ‘norm-enforcing power’ is a coercive form of power, ‘normative power’ is of consensual kind. The notion of ‘normative power’ has most famously been deployed by Manners (2002, pp.239–240), who defines it as the ability to shape conceptions of the ‘normal’ in international relations.

Manners proposed this notion with a view to broadening the focus of empirical research on the EU to also include cognitive processes. Manners was inspired by the work of Galtung, for whom ideological power means that “one is powerful because the power-sender’s ideas penetrate and shape the will of the power-recipient” (1973, p.33). Galtung distinguishes normative power from punitive power, where A is able to use violent means and therefore can coerce B into complying with A’s will.

In a similar vein, Manners’ distinguishes between normative power on the one hand and the ability to use military instruments on the other (2002, pp.239–240). In this respect, Manners also drew on Carr, who distinguished between economic power, military power and power over opinion (1962, p.108). As we shall see in section two below, Galtung’s and Manners’ lines of thought resemble that of Cox and Gramsci, and there is thus resemblance between Manners’ notion of normative power and Cox’ notion of consent.

Moreover, the notions of ‘norm internalisation’ or ‘norm stabilisation’ in the international norms literature can also be understood in terms of Manners’ normative power. Namely, when an international norm has been internalised, it shapes conceptions of the ‘normal’ in international relations. As discussed above, the new internalised norm becomes a prevailing way for the broader public to understand and talk about that issue, a new ‘standard of appropriateness’.

## **1.5 Discussion**

Two of the approaches discussed above have featured as candidates to becoming my framework, namely realism and constructivism. Liberal institutionalism did not feature as a framework candidate. The prospects for and effects of collaboration in international politics, the overall focus of liberal IR theorising, is not a matter that I engage with in this dissertation. In addition, I do not use a rationalistic ontology, and liberal institutionalism would therefore not be a suitable framing for my analysis.

As we shall see in this dissertation’s empirical chapters, the salient theme emerging from my empirical data is how the configuration of material (in this case, financial) resources determined whether the actors involved in the Sicomines controversy were able to throw clout behind their respective public debt norm. Specifically, it was the magnitude of the Chinese development finance offer that left the IMF with no other option but to compromise its public debt norm.

In light of this, realism might have been an appropriate framing to use. Such an approach would have enabled me to explore how the material clout and interests of states drives the development of international politics in general and the actions of international organisations in particular. As we shall see, my data does indeed show that it was the agenda of the influential countries on the IMF's board that the IMF pursued during the Sicomines controversy. This would seem to lend support to the realist claim that IOs matter 'only on the margins'.

However, two other facets in my empirical material would have remained hidden in a realist conceptual apparatus. First, the IMF's epistemic authority, the power to make things known and shape how states and non-state actors understand the world, is an important theme in my material. Realism does not enable me to include this in the analysis, because it does not accord IOs any meaningful agency or power of their own.

Second, my data shows that the outcome of the Sicomines controversy was ultimately rooted in the past decades' changes in the organisation of production in China. The IMF's decision to compromise its public debt norm became a necessity because of China's growing financial clout, which hinges on China's economic growth and its trade surplus. Realism does not offer any tools to theorise this, because it does not pay conceptual attention to global capitalism. Realist theorising conceives of productive assets as static resources of states, not as variables worthy of study on their own terms.

The work of constructivist scholars provides useful insights into the epistemic authority of IOs. However, while constructivists such as Barnett and Finnemore (2004) contend that IOs are actors in their own right and not necessarily instruments of states, my findings show that during the Sicomines controversy, the epistemic authority exercised by the IMF was rooted in the power of the most influential countries on the IMF's board. It was the agenda of those countries that the IMF pursued during the Sicomines controversy. This important theoretical disaccord makes constructivism an inappropriate framing for my analysis.

Instead, I decided to develop a Coxian-inspired framework. It enables me to cater for the three main themes that emerge from my empirical material: the epistemic authority of IOs; the role of influential member countries in determining the actions of IOs; and the changes in the production process as the pivotal factor which drives change in global politics.



Indeed, there are several points of contact between constructivism and Coxian thought (Hopf 1998, pp.177–178). As we shall see, Cox conceives of material forces, ideas and institutions as interrelated, an approach which has served as inspiration for some constructivist scholars (Sørensen 2008, p.14). The constructivist norm scholar Park has also argued that Cox' work with Jacobsen (1973) supports the constructivist approach to IOs, because it shows that international organisations can influence the capabilities and interests of states, and that an organisation's history and culture can shape its actions (2005, p.112).

## **2. Cox' approach to hegemony and world order**

### **2.1 Ontology and epistemology**

Developing an analytical framework drawing on Cox' thinking implies using a critical ontology.<sup>8</sup> Following Guba and Lincoln (1994, p.110), this entails an outlook where structures are understood as shaped throughout history by economic, political, social and cultural factors, as well as by gender and race dynamics. As such, structures eventually crystallise into something that is real for all practical purposes, although they are not immutable. Indeed, as we shall see below, Cox stresses this possibility for change when he argues that ideas are interrelated with material forces and institutions in the historical structure.

In terms of epistemology, Cox played a seminal role for the development of critical thinking within IR theory. He contributing with one of the seminal texts in this regard, the article *Social Forces, States and World Orders: Beyond International Relations Theory* (Cox 1981). (Rengger & Thirkell-White 2007) Cox did not always work in a critical tradition, however. His early collaboration with Jacobson (Cox & Jacobson 1973) introduced him to positivist institutionalist theorising. Their joint work on IOs deployed a historicist, descriptive approach and arrived at a realist conclusion. As Cox himself wrote in 2004, he was initially fascinated by positivist thinking, but soon felt an epistemological unease with it, and mounted an epistemological critique against positivist IR theorising drawing on the critical theoretical paradigm developed by the scholars of the Frankfurt School. (Cox 2004; Hazelzet 2005)

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<sup>8</sup> In an earlier version of this manuscript, I used a constructivist, relativist approach. However, in this final version, I deploy a Coxian-inspired approach instead, because it can better cater for the material factors which enabled the actors involved in the Sicomines controversy to throw clout behind their respective approaches to debt.

Cox drew specifically on Horkheimer's (1975) distinction between traditional and critical theory. Horkheimer regarded science as a 'moment' in the social process of production, one part of the various sectors of production that comprise a society. Drawing on the notion of false consciousness, Horkheimer argued that the traditional belief that the scientist can be autonomous represents an instance of 'bourgeois thought' (1975, p.210). For Horkheimer, traditional theory belongs to and enables the existing order. Critical theory, in contrast, investigates "into the social conditioning of facts and theories" (1975, p.209). (Rengger & Thirkell-White 2007, p.6) Cox applied this line of thought to the discipline of IR, engaging in a comprehensive critique of the neorealist Waltz' approach to theory.

Waltz had developed his influential approach to international politics as a critique of the early realist scholars Morgenthau and Aron who, Waltz argued, had failed to develop comprehensive theories of international politics (Waltz 1990). For Waltz, "[t]heory isolates one realm from all others in order to deal with it intellectually. To isolate one realm is a precondition to developing a theory that will explain what goes on within it" (1979, p.8). Cox labelled this approach 'problem solving theory', and, echoing Horkheimer, criticised it for "tak[ing] the world as it finds it, with the prevailing social and power relationships and the institutions into which they are organised, as the given framework for action" (1981, p.128).

Cox argued that such a positivist approach can be very precise because it uses an assumption of fixity, but the problem with it is that it reifies powerful interests within the given order. Because it approaches power relations as permanent, it is not able to scrutinise them. Cox found this problematic because, he famously argued, "[t]heory is always *for* someone and *for* some purpose" (1981, p.128) As a remedy for this problem, Cox proposed a critical, historically oriented, interpretive epistemology where the subjective and the objective are interrelated (1996b, p.147).

Critical theory, for Cox, "does not take institutions and social and power relationships for granted but calls them into question by concerning itself with their origins and how and whether they might be in the process of changing" (1981, p.129). Critical theory seeks to understand processes of change and to explore viable arrangements for social and political orders. Cox' main critique against realism was that it is ahistorical and therefore unable to account for change. Waltz focused on the effects of the international system upon the behaviour of states, arguing that states are affected by the international system through socialisation and competition (1979, p.74). With such an approach, Cox argued, the results of research into changing circumstances are given beforehand: "this mode of reasoning dictates that, with respect to essentials, the future will always be like the past" (1981, p.131).

I find Cox' distinction between problem-solving and critical theory useful, and I recognise that positionality matters for knowledge production. In the methodology chapter, I discuss the strategies that I deployed during my fieldwork to manage issues of positionality. However, for many scholars, working within a critical paradigm also implies a commitment to emancipatory action. Horkheimer noted that the intentions of the 'critical attitude' is to go "beyond prevailing social ways of acting" (1975, p.209). For Cox, his historical materialist perspective "reasons historically and seeks to explain, *as well as to promote*, changes in social relations" (1981, p.133, emphasis added). On this point, my own epistemological commitment differs from that of critical theory: I do not have directly subversive ambitions.

I am sympathetic to emancipatory scholarly endeavours, but I do not embrace such an approach in my own work because I am not comfortable with studying the world while at the same time seeking to change it. The question I ask myself is: how could I commit to political action regarding an issue before knowing what it is all about? I am concerned that the fluid boundary between knowledge generation and political action would lead me to foreclose the findings. For me as a researcher, the most important thing is to remain open to the possibility that what I observe in the field may actually be the opposite of what I had expected.

Cox argues that most theoretical endeavours "share some of the features of both problem solving and critical theory" but that they "tend to emphasise one approach over the other" (1981, p.130). It is certainly true that the one does not exclude the other, and to that I would like to add the possibility of sequencing. I could consider engaging in political action in terms of my topic of study and explore different viable arrangements for social and political orders, but I would want to complete the knowledge generating endeavour first. As such, I find that conventional explanatory research can precede, or pave the way for, critical ambitions.

I agree with Cox that there is no such thing as a neutral 'fact' and that knowledge has to be understood as a product of the context within which it is generated. But I believe that it is possible to remain cautious of these dynamics without necessarily committing to a subversive research agenda. Indeed, critical concerns underpin my choice of research topic (*i.e.* the IMF is a powerful actor in African countries and therefore warrants scrutiny) but my ambition with the research process as such is conventional and explanatory.

## 2.2 Gramsci's conception of hegemony

Having outlined his critical approach to theory, Cox outlined an alternative approach to international relations drawing on the work of the Italian theorist and political activist Antonio Gramsci. In his *Prison Notebooks* (Gramsci & Buttigieg 1992), Gramsci argued that in order to establish a hegemonic form of rule, crude military superiority does not suffice.<sup>9</sup> It has to be underpinned by leadership also in the intellectual and cultural arenas. In other words, both coercion and consent are needed. Thus, in Gramsci's use of the term, hegemony goes beyond pure coercive dominance and entails rule through the 'organised consent of the governed' (Durst 2005, p.175).

Gramsci had a number of sources of intellectual inspiration when he developed his approach to hegemony (Germain & Kenny 1998; Worth 2008). One of them was the early Italian philosopher Machiavelli, who in his seminal essay 'The Prince' from 1532 sought to unmask the Christian ideal image of the world and expose the true nature of power. Machiavelli conceived of power in terms of a centaur, and argued that a ruler "needs to know how to be both an animal and a man", because force alone is not sufficient for maintaining control over a country (Machiavelli & Wootton 1995, p.54). It was from Machiavelli's centaur that Gramsci derived the distinction between coercion and consent.

To explain the difference between coercive and consensual power, Gramsci coined the terms 'political society' and 'civil society'. By political society, Gramsci referred to the government institutions, the courts and the coercive apparatus, *i.e.* the police and the military. By civil society, Gramsci meant the moral institutions which organise a society's culture and ideology, such as schools and religious institutions. The latter were particularly important in Gramsci's thinking given the influential position of the Catholic Church in Italy.

Gramsci argued that the civil and political societies are interrelated and mutually dependent. This means that in order to establish a hegemonic order, it is necessary to make the subordinate classes internalise the interests and outlook of the leading class as their own. This ideological endeavour is undertaken by the moral institutions and the intellectuals of the leading class.

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<sup>9</sup> This introduction of Gramsci's ideas draws on Bates (1975), Buttigieg (1992, pp.21–22), Cox (1983), Durst (2005), Eyerman (1981), Jacobitti (1980) and Worth (2008). Given that Gramsci died shortly upon his release from prison, he never finalised his theoretical work. His ideas, sketched out in different notebooks, have subsequently been edited by both editors and translators in several editions. (Buttigieg 1992, pp.21–22; Germain & Kenny 1998, p.20) His ideas and how to interpret them has been the subject of a great deal of debate, and I am aware that the Gramsci expert may find weaknesses in the rendition above, although it draws on a number of different sources.

Gramsci also argued that social democratic policy measures such as popular suffrage and welfare benefits should be understood as ways of making the ruling capitalist order more acceptable to the masses.

For Gramsci, a form of rule becomes hegemonic when consent for the world view of the ruling class has been secured. At this point, the coercive forces recede into the background and will only be brought out again if the hegemony is destabilised. In a hegemonic situation, political and economic power has been consolidated by cultural authority. For Gramsci, when a form of rule becomes hegemonic, a new 'historic bloc' is formed. However, in case the civil society of the ruling class is not strong enough to attract support from the masses, the ruling class cannot establish hegemony. Gramsci coined a situation where a society is stuck in a non-hegemonic state 'the passive revolution'.

From his analysis, Gramsci derived that in order to bring about a regime change, it is necessary to devote attention to the cultural arena. Intellectuals play a key role in this process, because without intellectuals and leaders, the masses cannot organise themselves and become aware of the cultural power exercised over them. As a result, the most powerful means available to the leading class in seeking to thwart counter-hegemonic efforts is to co-opt the intellectuals of the ruled class into the institutions of the ruling class. Gramsci had noted such dynamics in Italy, whereby left-wing intellectuals had entered the fascist government, and he coined this phenomenon *trasformismo*.

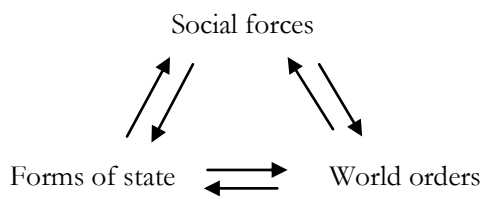
### **2.3 Cox' interpretation of Gramsci: hegemony and world orders**

Cox applied Gramsci's thinking to the international arena in two seminal articles published in the early 1980s (1981; 1983), proposing a novel approach to hegemony and world order. In this work, Cox challenged realism on several of its key tenets: the role of the state, the role of production, the nature of ideas and the meaning of hegemony.

Drawing on Gramsci's link between the civil and the political society, Cox argued that the state should be understood in an enlarged sense, including its social basis. To denote this, Cox coined the term 'the state-society complex'. This understanding of the state differed significantly from the narrower, realist conception, where the state was thought of in terms of its military capability and its foreign policy bureaucracy. Cox conceded that state power should not be underrated. However, he proposed a different approach, which would devote attention to the relation between the three concepts 'social forces', 'forms of state' and 'world orders' (1981, p.128).

‘Social forces’ refers to the social reflections of the organisation of production, and ‘forms of state’ refers to specific state-society complexes. As illustrated by the arrows in Figure 1, the three are interrelated in Cox’ thought, simultaneously depending and impacting upon one another. This differs from realism’s conception of international politics in two ways. First, it links the domestic with the international. For realism, domestic and international politics are distinct arenas. Second, whereas for realism international politics begins and ends with states, in Cox’ conception, international politics is about more than just states.

**Figure 1: Social forces, forms of state and world orders**



**Source:** Cox (1981, p.138)

Cox argued that actors understand social forces, forms of state and world orders through a particular framework for action, namely the ‘the historical structure’, which he defined as follows:

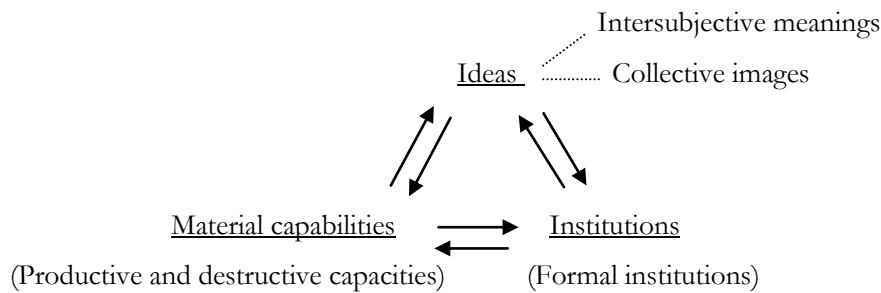
“The historical structure is how the world appears to the entities – persons, states, corporations, or whatever – that are interacting in it, how they perceive the concatenation of the forces at work and the conflicting directions these forces take. This is what informs the making of decisions or non-decisions.” (2004, pp.5–6)

The historical structure comprises of three forces: material capabilities, ideas and institutions. As illustrated by the arrows in Figure 2, the three forces are interrelated, although Cox argued that their relative importance and impact on each other will vary depending on the situation at hand. Cox conceived of the ‘material capabilities’ as comprising of both productive and destructive potentials. Realists had focused on destructive potentials and conceived of them as givens, as static assets of states. Cox, in contrast, focused on productive potentials and thought of them as variables rather than static assets.

In terms of ‘ideas’, Cox’ conception also differed from that of realists, who had largely understood ideas as responses to material circumstances. As noted, Cox’ epistemological stance is that conceptual attention should be paid both to the subjective and the objective. For him, ideas

impact on, and are impacted by, both material circumstances and institutions. In Cox' conception, ideas are of two kinds: 'intersubjective meanings' and 'collective images of social order'. Intersubjective meanings are the more durable of the two. They are "broadly common throughout a particular historical structure and constitute the common ground of social discourse" (1981, p.136). They are historically conditioned and changeable, but "tend to perpetuate habits and expectations of behaviour" over longer periods (1981, p.136).

**Figure 2: The historical structure**



**Source:** Cox (1981, p.136)

Collective images, in contrast, consist of different views held by different groups of people. Thus, they can be "several and opposed" (1981, p.136). These images clash and thus "provides evidence of the potential for alternative paths of development and raises questions as to the possible material and institutional basis for the emergence of an alternative structure" (1981, p.136). Cox mentioned that collective images includes certain norms (1981, p.139), but neither did he conceptualise the notion of norms, nor did he develop the link between collective images and norms. I engage with this conceptual matter below, because I draw on and develop Cox' notions of 'collective images' and 'norms' in my analytical framework.

The third force within Cox' historical structure is that of 'institutions'. Cox thought of institutions as "particular amalgams of ideas and material power which in turn influence the development of ideas and material capabilities" (1981, p.137). Applying the heuristic tool of the historical structure to the *problematique* of social forces, forms of state and world orders, Cox argued that all three can be understood as specific configurations of material capabilities, ideas and institutions. For instance, in terms of the social forces, when a production process changes (material capabilities), new groups of industrial workers may emerge and formulate new collective images

around their role in society (ideas) and establish new means of participating politically (institutions).

'Forms of state', understood using the heuristic tool of the historical structure, are specific state-society complexes and the different material capabilities, ideational currents and institutional arrangements that comprise them. One example brought up by Cox is imperialism. An imperialist state harbours material capabilities such as production processes in need of expansion and military capacity enough to sustain an imperialist endeavour. In ideational terms, the collective image underpinning an imperialist ambition would be one which legitimates economic and/or military expansion beyond the state's borders. The institutional aspect of an imperialist state would be the corporate and/or military organisations needed for an expansionist mission.

For Cox, world hegemony is at the same time an economic structure, a social structure and a political structure. None of the three suffice alone, explaining why, for Cox, a powerful state's rule can become hegemonic in certain instances and in others not. In terms of the economic structure, the would-be hegemonic state needs to have significant material capabilities both in productive and destructive terms.

Drawing on the Gramscian argument that hegemony is characterised by consent and not coercion, Cox argued furthermore that material capabilities alone do not suffice in order to establish a hegemonic form of rule. An ideational, or social, element is also needed: a world order is hegemonic when the interests of a would-be hegemonic state are perceived not as exploitative but as compatible with the interests of the subordinate state-society complexes within its reach.

In order to bring about such consensus, an institutional component is needed, namely the international organisations that result from, embody and further the hegemonic order, providing the intellectual leadership that makes subordinate state-society complexes internalise the interests of the leading state as their own. This is the political structure of world hegemony, and I return to Cox' thinking around the role of international organisations in the subsequent section. For Cox, a world order can be hegemonic or non-hegemonic depending on the specific configurations of material capabilities, ideas and institutions. It can be non-hegemonic for two reasons: either because the would-be hegemon does not have the institutional capacity to bring about consensus, or because there are conflicting power centres.

As illustrated by Figure 2 above, social forces, forms of state and world orders are interrelated in Cox' thought. For instance, with the help of the requisite ideational and institutional forces, an



imperialist form of state can establish a hegemonic world order. Likewise, a hegemonic world order can spark resistance and provide the ideational fuel for a counter-hegemonic form of state. This is particularly plausible at the fringes of the hegemonic order where, as argued by Gramsci, consent grows thin and the coercive forces become more visible. Indeed, as we shall see below, this dissertation draws on Cox' idea of contestation of a hegemonic order at its fringes.

Ultimately, the pivotal factor in Cox' theoretical framework is the social forces. He regards the production process and the social reflections it engenders both as the locus from which power emerges, as well as the site where change in world orders is instigated (1981, pp.141, 149). Cox argued that actors and groups can resist a hegemonic order and propose a rival, alternative historical structure (1981, p.135). As a result, he developed his world order framework with a view to examining "the connections between power in production, power in the state, and power in international relations" (1981, p.135) As I will show in my analytical framework below, I am inspired by this Coxian link between change in the production process and change in international relations.

## **2.4 Cox' approach to international organisations**

When Cox started his scholarly endeavours in the 1970s, his first research interest was international organisations. He picked up the baton where the functionalists had left it at the time when institutionalist theorising abandoned the study of formal IOs in favour of international regimes. Cox' piece *The Executive Head* (1969) developed the ideas of the functionalist theorist Haas (1964), proposing an analytical framework for understanding the internal and external factors that determine when IOs become agents in their own right.

Cox argued that an IO's executive head plays a significant role in this regard, and the piece was written in an advisory tone as a travesty of Machiavelli's *The Prince* from 1532 and its crude leadership advice. Specifically, Cox argued, executive heads are constrained by internal factors that can be grouped under the rubric of bureaucratic politics, as well as by external factors in the form of the configuration of alliances and alignments in world politics. A multipolar world, Cox argued, offers more room for manoeuvre for the executive head in terms of playing a brokerage role between rival blocs.

Subsequently, Cox co-edited *The Anatomy of Influence* (1973) with Jacobson, a volume which opened up the 'black box' of IOs and explored the decision making processes within them. Cox

and Jacobson drew the conclusion that IOs can largely be understood through a realist lens. The autonomy of IOs, they argued, is circumscribed by the interests of its most influential member states, specifically a coalition of Western industrialised states. IOs can be autonomous in certain instances, but the greater the saliency of the matters that the organisation deals with, the more restricted its autonomy.

This conclusion is reflected in the way Cox later conceptualised IOs as part of his approach to hegemony and world orders. Namely, he argued that IOs such as the IMF, the World Bank, the ILO and the OECD should be understood as ‘mechanisms of hegemony’, the sites where hegemony is institutionalised. (1980, p.377; 1983, p.172) These organisations are initiated, or at least supported, by the state which established the hegemony – the United States in the case of the *Pax Americana*, the US-led hegemony that was established after the Second World War.

The hegemonic state retains influence over the ‘mechanisms of hegemony’, either by formal voting power weighted in its favour, or through informal channels of influence. For Cox, IOs function as consent-fabricating vehicles, providing intellectual leadership that makes subordinate state-society complexes internalise the interests of the leading state as their own. The IOs also perform what Gramsci referred to as *trasformismo*, co-opting intellectuals with counter-hegemonic ideas.

For Cox, such co-optation is crucial in order to maintain hegemony, because in a similar vein as Gramsci, he argued that intellectuals play a key role in resisting and overthrowing a hegemonic historical structure. Because hegemony is about the organised consent of the masses, intellectuals are needed to help organise those masses in opposition to the prevailing order. Therefore, by performing *trasformismo*, IOs ensure that those state-society complexes where hegemonic rule has not yet been consolidated remain in a state of passive revolution. This applies particularly to countries in the developing world.

As noted, Cox finds that in the historical structure, institutions are “particular amalgams of ideas and material power which in turn influence the development of ideas and material capabilities” (1981, p.137). IOs embody, universalise and legitimate the norms that facilitate the hegemonic order’s expansion and often act as ‘a ballast to the status quo’ (1980, p.377), but not in a deterministic sense. In Cox’ conception, the power of IOs goes beyond mere hegemonic disciplining. They can also ‘take on their own life’, revising norms “in the light of changed circumstances” or “to take care of problem situations” (1983, p.172) and thus become sites where counter-hegemonic ideas are developed (c.f. Gareau 1996).

In a reflection from 2004, Cox summed up his approach to IOs succinctly. Namely, he noted that in order to understand the process of international organisation, one must recognise that there is a realist basis for it and assess the ‘real forces’, while also acknowledging that “the process itself adds something over and above an inventory of the material capabilities of those forces” (2004, p.5). Thus, as I read Cox, he argues that IOs are powerful because they embody the material capabilities of the hegemonic state and the ideas of the hegemonic order, while retaining agency to impact both on ideas and on material capabilities in a nondeterministic sense. This approach provides the basis for my way of conceptualising IOs, and I develop my thinking further in section five below.

### **3. Scholarly debates emanating from Cox’ work**

As noted, Cox’ 1981 article *Social Forces, States and World Orders: Beyond International Relations Theory* became one of the seminal texts of the critical strand within IR theory (Rengger & Thirkell-White 2007). As a towering scholar, Cox has had immense following. This dissertation engages with the literature that draws on Cox and Coxian-inspired theory to explore the power of the IFIs. Part of that literature builds on work that explores the role of neoliberalism in Europe and the US drawing on Cox and Gramsci, and I shall therefore review that literature briefly. The most influential definition of neoliberalism is that used by Harvey:

“Neoliberalism is [...] a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade” (Harvey 2005, p.2).

The late 1970s is generally seen as the point in time when the shift to neoliberalism from the ‘embedded liberalism’ of the post-1945 Bretton Woods era started. The term ‘embedded liberalism’ was coined by Ruggie (1982) who drew on Polanyi’s (1944) work on the organisation of capitalism, specifically his argument that during different periods of history, markets have either been ‘embedded’ or ‘disembedded’ in society.

Ruggie used the notion of ‘embedded liberalism’ to denote the Keynesian-inspired institutional arrangement which characterised the international economic order in Europe and to some extent the United States after World War II. It was a normative framework which embraced multilateralism, favouring economic openness and international trade while at the same time

seeking to safeguard domestic welfare, full employment and mass consumption through deficit spending. This period is also known as the era of 'Fordism' (Jessop 1995). For Ruggie, embedded liberalism differed from the 'laissez-faire liberalism' that had characterised the pre-World War II era.

Gill and Law (1989) and Overbeek (1990) argue that in the neoliberal era, or the 'post-Fordist accumulation regime', the structural power of capital has increased and financial interests trumps those of productive capital. Gill (1995; 1998) proposes the notion of 'new constitutionalism' to denote an elite-led project which 'locks in' the market through binding transnational rules regarding capital mobility and private property rights, thus constitutionalising 'disciplinary neoliberalism' and portraying globalisation as a new inevitable reality.

For Cerny (1997) and Harvey (2005), in neoliberal thought and practice, states are reduced to splintered, globally integrated 'competition states', agents of the global economy who primarily serve to ensure international competitiveness and openness to FDI, rather than to pursue progressive, developmental policies. Cox' famous words regarding this shift away from embedded liberalism are worth quoting in full:

“During this period, the balanced compromise of Bretton Woods shifted toward subordination of domestic economies to the perceived exigencies of a global economy. States willy-nilly become more effectively accountable to a *nébuleuse* personified as the global economy; and they were constrained to mystify this external accountability in the eyes and ears of their own publics through the new vocabulary of globalisation, interdependence, and competitiveness” (1992, p.27).

The *nébuleuse* has also been referred to as 'governance without government' (Cox 1992, p.27) or simply as a 'hazy pattern of global decisionmaking' (Mott 2004, p.138). For Cox (1981, pp.147, 155), the key actors in this diffuse governance process are the elite of the current global class structure, what he terms the 'transnational managerial class'. Cox finds that this class, in conjunction with the 'mechanisms of hegemony', IOs such as the IMF, the World Bank and the OECD, establishes frameworks for thought and policy which favour capitalist market relations.

The transnational managerial class comprises 'global' actors such as leaders of transnational corporations and senior managers within international organisations, as well as national actors such as officials at national government agencies in charge of international economic matters (finance ministries and central banks) and managers of local companies linked to global

production networks. The transnational managerial class is seen to share a form of 'strategic' class consciousness, seeking to establish a neoliberal hegemony through the forging of consensus with subordinate domestic classes (Gill 1990; Robinson 2001; van der Pijl 1998).

Echoing Gramsci, Harvey (2005) argues that neoliberalisation has occurred both by means of coercion and consent. In the case of Chile and Argentina, Harvey argues, it happened through military coups. In the consolidated democracies of the US and the UK, it took hold after popular consent for neoliberal ideas had been secured among the electorate with the help of civil society, defined in Gramscian terms as educational institutions, churches, professional organisations, media stakeholders and think tanks.

Cox himself (1996a, p.31; 1999) finds that neoliberalism has attained a hegemonic status and is entrenched in the IFIs, but that military force – Machiavelli's beast – is latent and can be used in case ideological hegemony is not sufficient to retain control in global governance. For Gill (1995), neoliberalism has a dominant position, what he terms 'supremacy', but it is not hegemonic. Together with Law (Gill & Law 1989), Gill argues that complete hegemony is not feasible since there will always be counter-hegemonic movements and instability stemming for instance from financial markets.

In a similar vein, Augelli and Murphy (1988; see also Murphy 1994) argue that supremacy can be exercised in two ways, via coercion or via consent. Researching US foreign policy in the 1970s, Augelli and Murphy find that while the US used an alliance building, consent seeking strategy in relation to its allies, it deployed a coercive strategy in its relations with Third World countries. This echoes Cox' remark that at the fringes of hegemony, consent grows thin and the coercive forces become more visible. Following Klein (2007) and Nederveen Pieterse (2004), the most prominent case of neoliberalisation by coercion occurred in Iraq after the US' invasion of that country in 2003.<sup>10</sup>

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<sup>10</sup> Moreover, Gamble and Payne (1996) and Mittelman (1996) deploy Cox' thinking around hegemony to analyses of regionalisation in Europe, Asia-Pacific and the Americas. Rupert (2003) explores global social justice movements and draws on Gramsci's use of Vico's concept of the 'common sense', arguing that the success of those movements will depend on whether or not the intellectuals attached to them manage to win the struggle over the popular common sense. Other empirical topics covered in this literature include the EU and the terms of its eastward expansion. Bieler (2002), Bohle (2006), Holman (1998) and Shields (2007) explore the processes of economic restructuring which occurred in Poland, the Czech Republic and Hungary when those countries sought to become members of the European Union in the 2000s, arguing that they were neoliberalised by a coalition of external forces and domestic members of the transnational managerial class.

### 3.1 Critique of Coxian-inspired theory

Prior to reviewing the literature that draws on Cox to explore the role of the IFIs, I shall briefly review some of the criticisms mounted against Cox' work. One important point of critique concerns Cox' use of Gramsci. Even though Cox himself preferred to call himself a historical materialist, he and the scholars that draw on his work are often grouped under the banner 'neo-Gramscian'. For Germain and Kenny (1998) and Worth (2008; 2010), this is a misleading label, because they find that Cox and his followers apply Gramsci's work to the international arena in a problematic way.

Namely, they argue, in his conceptualisation of hegemony, Gramsci placed equally great emphasis on cultural elements as he did on material factors. Indeed, it was not just Marxist thinking that impacted on Gramsci's work, it was also the philosophers Hegel, Vico, Croce and Machiavelli (Durst 2005; Eyerman 1981; Germain & Kenny 1998; Worth 2008). Worth (2008, p.45) points out that for Gramsci's own son, it was not primarily Marx' and Lenin's work that his father was developing, but rather the work of Croce. Therefore, this group of scholars argues that an interpretation of Gramsci which stresses the historical materialist aspects at the expense of the cultural is misleading.

Germain and Kenny also argue that the 'new Gramscians' fail to acknowledge that Gramsci's unfinished notes cannot be understood as a finalised, coherent theory, and that it may not be appropriate to apply Gramsci's thought outside of the national context that it was conceived to understand. They argue that in terms of interpreting Gramsci and transplanting his ideas to other contexts, Cox and his followers could learn from work done in cultural studies (Hall 1988) and political theory (Laclau & Mouffe 1985). Whitworth (1994) has pointed out that while Cox stresses the mutual interaction between ideas, material forces and institutions in his theoretical framework, he overemphasises the material in his empirical work. Similar criticisms have been formulated by Bernstein (2000) and Jessop and Sum (2001).

In contrast, other scholars have criticised Cox for not being Marxist enough (Adams 1989; Shaw 2000). Notably, Burnham (1991) criticised Cox for not giving primacy to the material capabilities, *i.e.* capital. For Burnham, Cox' ambition to avoid determinism by according equal importance to material forces, ideas and institutions makes his approach resemble Weberian pluralism (Weber 1958; 1978, chap.1) more than Marxism. Moreover, Burnham argued that because Cox is mistaken in placing the same emphasis upon ideas as upon the material forces, the prime role his

theory accords to intellectuals as facilitators of change is flawed. Intellectuals may play a role, Burnham argued, but it will be subordinate to that of the material forces. (1991, p.81)

#### **4. Coxian-inspired approaches to the power of the IFIs**

A number of scholars have drawn on Cox to explore the power of the IFIs. The common theme in this literature is the argument that neoliberalism plays an important and problematic role in the developing world. For Abrahamsen (2004) and Soederberg (2005), even though global economic governance is now framed in terms of ‘partnership’, and despite the efforts that have been made since the turn of the 21<sup>st</sup> century to reduce world poverty via policy initiatives such as the Millennium Development Goals, the IFIs still seek to reproduce and legitimate the power of transnational capital and ensure that developing countries continue to adhere to neoliberal policies.

As noted in chapter one of this dissertation, in the ‘partnership’ era, donors expect recipient countries to draft own development policies – Poverty Reduction Strategy Papers – from which donor conditionalities are to be drawn. However, these policies are often drafted in donor-driven processes (Fraser 2005; Whitfield & Fraser 2009). Thus, for Rückert (2007), the Poverty Reduction Strategy Papers represents a deeper intervention by the IFIs than the regular conditionalities, and he argues that they should be understood as a novel passive revolution strategy serving to stabilise neoliberal hegemony in developing countries.

Wade (1997) argues that the World Bank deploys what he terms a ‘Gramsci effect’, fostering support for its approach to development among government officials and politicians, for instance by means of training in its Economic Development Institute. Moore (2007) deploys Wade’s notion of the Gramsci effect to argue that the World Bank operates as a ‘knowledge bank’, creating what Ruggie (1975) and Haas (1992) term an ‘epistemic community’ around its neoliberal approach to development (see also Moore 2000 and Gismondi 2008).

In a similar vein, Mueller (2011) argues that the IMF promotes hegemonic, neoliberal norms and co-opts elites in the developing world. For her, the interests of the transnational managerial class are served by the neoliberal ideology that the IMF promotes. Hattori (2003) draws on theories of gift exchange to argue that consent with the capitalist order is produced not just by the IFIs, but also by organisations that make donations, such as United Nations organs. Taylor (2004) understands the ‘good governance’ discourse as a hegemonic discourse propagated by the IFIs to co-opt elites from the South into the neoliberal historic bloc. Taylor argues that the IMF seeks,

and often succeeds, in furthering the sectional interests of international capital by framing them as common interests.

Abrahamsen (1997) argues, drawing on Cox' conception of IOs as 'mechanisms of hegemony' and his idea of the transnational managerial class, that the IFIs have a decisive influence over the leaderships of African countries. The IFIs and the bilateral donors, she argues, must therefore be repoliticised and understood as active political actors in African politics rather than just neutral observers. Drawing on Escobar (1995), Abrahamsen argues that the IFIs deploy a discursive strategy which silences the possibility for a different kind of democracy than that associated with economic liberalism and structural adjustment.

Democracy is here 'disciplined' to only encompass its procedural aspects – voting rights, not welfare rights. For me, Abrahamsen's notions of 'discipline' and 'silence' opened up a new way of thinking about the IMF's actions in the DRC. As we shall see in chapter six of this dissertation, they helped me see that the IMF's strategy for handling the Sicomines agreement's norm challenge was twofold: to discipline the Congolese government as far as it could, and to silence the remainder of the problem. Below, I link these two notions to my thinking around norm-enforcing and normative power.

#### **4.1 Harrison, neoliberalism and governance states**

Harrison's work on governance states (2004) and neoliberalism (2010) in Africa has been a pivotal source of inspiration for this dissertation's analysis of the power of the IMF in the DRC and beyond, and I therefore review it in some depth here. Paraphrasing Ruggie's (1982) notion of embedded liberalism, Harrison argues that the World Bank has sought to 'embed' neoliberalism in African states. According to Harrison, the Bank's strategy to do so has been to construct what he terms 'governance states', which are "defined by their close relations with donors, their growing economies, and their stability" (2004, p.66).

The empirical focus of Harrison's work is the World Bank's engagement with administrative reform in African countries. These reforms include training of government personnel and the introduction of audit procedures, results oriented management, outsourcing, tendering and computerisation. The aim of the reforms is to engineer a stable state which can focus on attracting FDI and facilitate the functioning of the market, and for Harrison, it is through such reform that the Bank engineers governance states. In a similar vein as Abrahamsen (2000),



Harrison suggests that the World Bank prefers stability rather than more turbulent and more democratic politics.

A theoretical connection that Harrison himself does not make is that his notion of the 'governance state' recalls Cerny's (1997) 'competition state', namely a state which primarily serves to ensure international competitiveness and openness to FDI.<sup>11</sup> Harrison refers briefly to some of Cox' writings, but he does not develop an explicitly Coxian framework. However, I find Harrison's analysis of the first defining feature of the governance state – its close relations with donors – strongly inspired by Coxian thought. Specifically, it recalls three of Cox' concepts: the dynamics of coercion and consent in world politics; hegemony; and the transnational managerial class.

Echoing the idea of coercion and consent, Harrison conducts an eloquent analysis of the relations between the IFIs and the leaderships of African countries. He argues that the interactions follow a periodic pattern characterised by 'conditionality' and 'post-conditionality'. During periods of conditionality, conflict is at the forefront and the leadership of the African country in question resists the IFIs' loan conditions openly. During this phase, the IFIs have to coerce the leaderships of African countries into complying with their conditionalities.

Periods of post-conditionality have two defining features. First, they come about when the bargaining power of an African country is weakened, either after a period of economic crisis or after the country in question has had to give in to the IFIs after a political stand-off. The second defining feature of post-conditionality periods is that they occur in governance states where the IFIs are deeply involved the administration of the country in question through administrative reform. In these states, the thinking of high-ranking civil servants in key ministries, particularly the Ministry of Finance, has been shaped in line with the ideas of the IFIs through university education and personnel training. I find that the latter empirical phenomenon could be understood using Cox' notion of the transnational managerial class.

During post-conditionality periods, conflict recedes into the background and the IFIs' loan conditions are implemented by the member country without external pressure. Harrison points out that post-conditionality does not mean an end to conditionality. Rather, it means more collegial aid relations and a different, more intimate involvement by the IFIs (2004, p.77,87). Given this element of consensus, and given that the transnational managerial class play an important part in this process, I find that Harrison's post-conditionality period bears a strong

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<sup>11</sup> I thank Laurids Lauridsen for drawing my attention to this.

conceptual resemblance to Coxian hegemony where the subordinate internalise the will of the powerful as their own. Harrison does not engage with this theoretical connection, but I will do so below because I find Harrison's notion of post-conditionality useful for my own Coxian-inspired investigation into the IMF's power in the DRC.

I find that Harrison's work has one major weakness, namely empirical imprecision in the analysis of the World Bank's actions in the case study countries. Harrison uses the terms 'the World Bank' 'donors', 'IFIs' and 'the IMF' interchangeably, a problematic practice because bi- and multilateral donors and the different IFIs cannot be said to operate according to the same logic. It is therefore not clear whether the empirical impacts that Harrison observes in the case study countries have actually been brought about by the World Bank, or by other donors and creditors. In order to steer clear of such insecurity, I decided to focus solely on the IMF in my research.

## **4.2 Discussion**

In sum, the work of scholars drawing on Cox to explore the power of the IFIs has been most useful to my thinking around the power of the IFIs. I am in broad agreement with the argument that there was a neoliberal turn in policy making across the world in the 1980s and that some of the IFIs' policies can be understood as neoliberal, particularly those implemented during the structural adjustment years. However, I find that it is important to take into account Williams' (2008) critique against this literature.

Namely, Williams argues that while the IFIs' interventions during the structural adjustment years indeed could be understood as neoliberal, the World Bank's interventions in the developing world from the 'good governance' years onwards should rather be understood as liberal. Now, Williams argues, the IFIs do much more than just obliging developing countries to roll back the state and open up their markets. In a similar vein as Harrison (2004), Williams points out that the World Bank is now engaging deeply with the administrations of developing member countries, seeking to engineer states whose main purpose is to ensure the market's functioning.

However, while Harrison understands this as an attempt to embed neoliberalism in African countries, Williams understands it as an attempt to fashion distinctly liberal societies. Barnett and Finnemore (2004) further a similar argument, arguing that IOs embody and enact the liberal idea that societal progress necessitates the establishment of a capitalist market economy which is democratic and which safeguards the rights of the individual. I find this argument convincing, but

I take that line of thought one step further and depart in two respects from Williams, Barnett and Finnemore as well as from the scholars working on neoliberalism.

First, I find it misleading to argue that the IFIs further either liberalism or neoliberalism in a concerted fashion. Certainly, the IFIs initiate and push a range of different policy initiatives, norms and projects, but while some of these can be labelled neoliberal, others are liberal in nature, and yet others are even progressive. I develop this argument in chapter four of this dissertation, where I argue that the HIPC debt relief process which the IMF defended during the Sicomines controversy is not a liberal or neoliberal policy. Rather, it is a progressive policy project which originated from NGO demands to cancel the debt of highly indebted poor countries. Taylor (2004) argues that such ‘progressive’ policy initiatives are in actual fact part and parcel of the IFIs’ attempts at fabricating consent for its neoliberal policy agenda:

“[B]y holding administrations responsible to good governance strictures, institutions such as the IMF also avoid censure and can be actually seen as allies of the downtrodden citizen – even whilst the IMF’s very policies contribute to the further erosion of citizens’ livelihoods” (2004, pp.134–135 )

From a political perspective, it is indeed problematic that external organisations can exercise power over sovereign countries by holding their administrations accountable. However, in analytical terms, I think it is important to recognise that some of the policy projects promoted by the IFIs are progressive rather than neoliberal, even though they may strengthen the power of the IFIs by legitimising their exercise of power in the eyes of the citizenry. This leads me to my second point of criticism against the Coxian-inspired literature on the power of the IFIs.

Namely, I am critical of the underlying assumption in this literature that the IFIs have a coherent agenda, probably masterminded from Washington DC. For instance, for Abrahamsen, the good governance discourse “serves to sustain and reproduce specific forms of power and policies” and is “linked to larger discursive practices through which global power and domination are exercised” (2000, p.45). This portrayal of the power dynamics of Africa’s aid relations is valid in the sense that the IMF, the World Bank and Western donors have had an influential position in this respect since the end of the Cold War. However, as I see it, ideas are not merely reproduced in these organisations by means of a will to govern.

For instance, as shown by Weaver (2008), the World Bank seeks to fulfil many different needs at any one time: those of its borrowers, those of critical voices in civil society, and the geopolitical

and business related concerns of its most influential member states. This makes it impossible for the organisation not to display some degree of irrationality. When I read the Coxian-inspired literature on the power of the IFIs as a fresh PhD student, I found it stimulating but I was also critical of the predominant portrayal of how African countries' relations to the IFIs play out in practice. This inspired me to explore my case in great empirical detail and consider all the different factors which impacted on the IMF's actions in the DRC during the Sicomines controversy.

## **5. Analytical framework: A Coxian-inspired approach to the power of IOs**

As pointed out by Germain and Kenny (1998, p.8), one needs to engage properly with Gramsci's original work in order to develop a truly neo-Gramscian framework. Given that my main source of conceptual inspiration is Cox and his interpretation of Gramsci, I prefer to call my framework Coxian-inspired rather than neo-Gramscian.

### **5.1 A Coxian-inspired approach to IOs**

I conceive of IOs in Coxian terms as 'mechanisms of hegemony'. This conceptualisation rests on two claims:

- 1) The power of IOs is rooted in the material capabilities of both the hegemonic state and the other states with large stakes in the IO. Those states retain influence over the IO, either by formal voting power weighted in their favour, or through informal channels of influence. Thus, the actions of the IO largely follow the agenda of its most influential stakeholders.
- 2) IOs have both norm-enforcing and normative power, the two forms of power conceptualised in section 5.3 below. IOs promote the norms of the hegemonic order, fabricate consent with this agenda and perform *transformismo* in order to co-opt counter-hegemonic ideas. IOs' norm-enforcing and normative power are both rooted in the material capabilities of its most influential stakeholders.

I thus disagree with the realist tenet that IOs are empty shells which 'matter only on the margins', and concur with the constructivist argument that IOs are social entities who wield epistemic authority, *i.e.* the power to 'make things known' and shape how states and non-state actors

understand the world. However, my thinking differs from constructivists in the sense that based on my findings, I argue that the epistemic authority of IOs hinges on that organisation's link to a material power base. This does not mean that I reject constructivist scholars' thinking around IOs altogether. Rather, it means that the findings of my specific empirical case study does not lend support to the constructivist argument that IOs are autonomous actors in their own right (e.g. Barnett & Finnemore 2004).

Certainly, the 'mechanisms of hegemony' can be autonomous in certain instances. Cox and Jacobson (1973), Krasner (1981) and Hazelzet (2005) all argue that the agency of IOs is greater when the issues at stake are of lesser importance to its most influential member states. Therefore, drawing on Oestrich (2007), I argue that IOs have agency and can advance normative agendas, but that there are limits to this agency in the sense that IOs cannot advance normative agendas if this contravenes the strong will of their most influential member states.

I use the notion of *trasformismo* in a slightly different way than Cox and Gramsci did. For them, *trasformismo* is the act of co-opting intellectuals with counter-hegemonic ideas. In my way of using the term, it refers to the practice of co-opting an idea as such, not the intellectuals who promote it. Given that this is only a difference in emphasis, I find that it is an acceptable way of using the term in a Coxian-inspired framework.

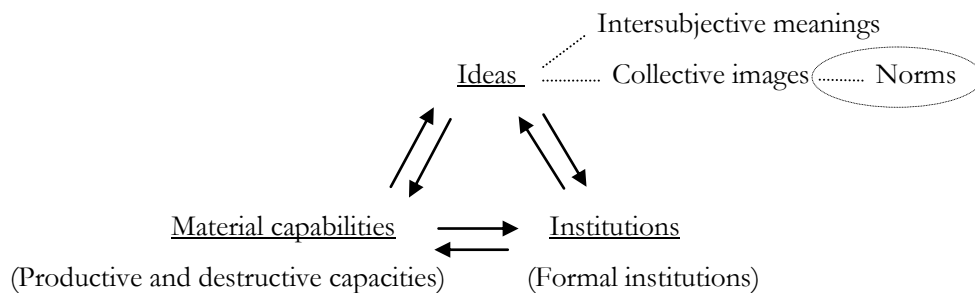
## **5.2 A Coxian-inspired approach to norms**

Cox' approach to norms, outlined in the early 1980s as part of his world order framework, is interesting but not very developed. As mentioned, the 'ideas' component of Cox' historical structure has two elements: 'intersubjective meanings' and 'collective images of social order'. For Cox, collective images includes certain norms (1981, p.139). In his discussion around IOs, Cox wrote that these organisations embody, universalise and legitimate the norms that facilitate the hegemonic order's expansion, but that they can also revise norms "in the light of changed circumstances" or "to take care of problem situations" (1983, p.172).

However, neither did Cox define and conceptualise his notion of norms, nor did he develop the link between collective images and norms. His later work came to focus on issues such as neoliberal globalisation, civil society and the prospects for a new world order, and he never returned to the issue of norms. I pick that theoretical endeavour up here, and I define a collective image as the overarching normative framework of a specific hegemonic order. In this conception,

the difference between a collective image and a norm is that the former is a stable ideational element while the latter is fungible. Norms are part of the collective image, but individual norms can change without this affecting the entire collective image. Figure 3 below features Cox' historical structure, including my adaptation of the 'ideas' component.

**Figure 3: The historical structure, revised (addition encircled)**



I define a norm in Finnemore and Sikkinks terms as "a standard of appropriate behavior for actors with a given identity" (1998, p.891). International norms "set standards for the appropriate behavior of states" (1998, p.893). I find the constructivist definition of a norm compatible with Cox' thinking. Cox does call himself a historical materialist, but he recognises the social construction of reality and attributes causal importance to ideas. His ontological posture, formulated in the historical structure, is that ideas can affect, and are affected by, material forces and institutions.

Cox' notion of ideology derives from Gramsci, whose work on hegemony was indeed inspired by the Marxist notion of false consciousness, but equally by philosophers Hegel, Vico, Croce and Machiavelli. Thus, the pedigree of Cox' ideas is not strictly Marxist, and as mentioned, Marxist scholars such as Adams (1989), Burnham (1991) and Shaw (2000) have criticised Cox for not according ontological primacy to the material forces. Hopf (1998, pp.177–178) identifies Gramsci's work on hegemony as a precursor to constructivist thought around ideas and power, and mentions Cox' work as an example of research which, in a similar vein as constructivism, pays attention both to the material and the ideational.

As noted, the work on norms by sociological institutionalist constructivists is underpinned by March and Olsen's (1998, p.951) 'logic of appropriateness'. According to this 'logic', identities, norms and institutions, rather than rational expectations, determine human behaviour. As I see it,

this approach is compatible with the Coxian assumption that collective images and norms furthered by the leading class shape the interests and outlook of subordinate classes. In contrast, March and Olsen's 'logic of expected consequences' would not apply in a Coxian framework, given that Cox uses a reflectivist ontology.

Kelley (2012) has also noted the theoretical connection between Coxian thought and the constructivist literature on norm change. He argues that there is conceptual overlap between Finnemore and Sikkink's (1998, p.895) idea of norm internalisation on the one hand, and the notion of hegemony on the other. Kelley equates the internalisation of a norm with "the passage of a historic bloc into hegemony, in which case society consents to subjecting itself to the new rules" (2012, p.10). In sum, thus, I find it suitable to use Finnemore and Sikkink's definition of an international norm also in a Coxian-inspired analytical framework.

Constructivists find that in order for a new norm to gain purchase, it needs to be propelled by norm entrepreneurs and by external triggers of ideational or material kind. Starting with the latter, Cox also finds that ideational factors can play a role in terms of facilitating a transition from one normative framework to the other, because if popular belief in a normative framework has declined, that framework weakens (1980, p.377). But overall, Cox puts more emphasis on triggers of material kind. For him, challenges to the prevailing normative framework may be successful if the latter's power basis 'have so eroded as to leave the norms without firm support' (ibid.) or if an ideological challenge emerges with a firm basis in the material forces. "Broadly accepted norms", Cox notes, "are consistent with the real hierarchy of forces, which in turn maintains and observes these norms" (1980, p.376).

This has implications for the way in which I use the term 'norm entrepreneur' in this dissertation. Cox' approach to norms is not particularly developed, and it is therefore not clear if he finds that individuals or groups of people can promote norms successfully just like they can in the constructivist framework. The only actor to which Cox explicitly attributes norm-promoting capacity is institutions, whose role in Cox' historical structure is to produce consent, *i.e.* make subordinate groups internalise the interest and outlook of the leading class as their own. This includes the promotion of norms. Institutions serve the interests of a particular class and can therefore also take a counter-hegemonic role if they are linked to an emerging counter-hegemony.

Thus, the key difference between the constructivist and Coxian approaches to norm promotion is that in a constructivist framework, norm entrepreneurs can succeed even if they are 'non-

materially powerful' (Park & Vetterlein 2010, p.11). As I define a norm entrepreneur in my Coxian-inspired framework, its success hinges on its link to a material power base.

### 5.3 Norm-enforcing and normative power

Cox argues that both coercive and consensual forms of power are present in world politics. I incorporate this distinction between the two different forms of power in my analysis by distinguishing between 'norm-enforcing power' (the power to enforce norms) and 'normative power' (the power to define the 'new normal'). This is a novel theoretical contribution because Cox never applied the distinction between coercion and consent to his thinking around norms. As a starting point for a discussion around how my thinking relates to existing literature, I use Barnett and Duvall's (2005) work on power in international politics.<sup>12</sup>

Barnett and Duvall propose a taxonomy of power (Figure 5 below) which illustrates the different ways in which they argue that the concept of power is, or could be, brought to bear in IR theory. They define power as "the production, in and through social relations, of effects that shape the capacities of actors to determine their circumstances and fate" (2005, p.39). Given that they think of power as operating through social relations, they find that different types of power are produced depending on the configuration of those relations. Barnett and Duvall propose two analytical dimensions for understanding the social relations through which power is produced.

The first dimension concerns 'the kinds of social relations through which power operates' (2005, p.48). Here, they distinguish between power that is produced in direct interaction between specific actors, and power that has an effect because the very social identities of actors are constituted in a specific way through a social process. The second dimension concerns 'the specificity of the social relations through which power's effects are produced' (ibid), namely whether they are direct or diffuse.

Combining these two dimensions, Barnett and Duvall arrive at four different concepts which they argue encompass the different ways in which power operates in international politics: compulsory power (direct specific relations), institutional power (diffuse specific relations),

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<sup>12</sup> It is important to note that the theoretical discussion conducted in this section serves the sole purpose of introducing how this dissertation approaches power. The list of theorists discussed here includes those that I deem the most important, but it is by no means exhaustive.



structural power (direct constitutive relations) and productive power (diffuse constitutive relations).

Two of Barnett and Duvall's types of power are represented in Cox' conceptual framework: compulsory power and structural power. As noted, Cox' distinction between coercion and consent in world politics draws on Machiavelli's distinction between 'beast' and 'man'. Barnett and Duvall note that compulsory power is the Machiavellian 'beast', the ability to coerce other actors and directly control their actions. Barnett and Duvall find that Dahl's classical definition of power, "A has power over B to the extent that he can get B to do something that B would not otherwise do" (1957, pp.202–203), also is an illustration of compulsory power. Structural power is the Machiavellian 'man', shaping the identities of actors so as to generate consent with the ruling order.

**Figure 4: Barnett and Duvall's (2005) taxonomy over four concepts of power**

		Relational specificity	
		<i>Direct</i>	<i>Diffuse</i>
<b>Power works through</b>	<i>Interactions of specific actors</i>	Compulsory power	Institutional power
	<i>Social relations of constitution</i>	Structural power	Productive power

**Source:** Barnett & Duvall 2005, p.48

The two remaining concepts of power in Barnett and Duvall's taxonomy are productive power and institutional power. Neither of them features in the Coxian framework, but I discuss them briefly here in order to distinguish them from the forms of power present in Coxian thought. Productive power is the kind of power most famously analysed by Foucault (e.g. 1970; 1977). It differs from structural power in that it is diffuse and not reproduced in direct structural relation between actors, but in discursive practices and systems of knowledge.

Institutional power is the indirect control over specific actors exercised through diffuse relations. Such control can be exercised both by means of formal institutional arrangements and via informal institutions such as regimes. In Barnett and Duvall's view, there is also a temporal aspect to institutional power in the sense that institutional arrangements established at one point in time

can shape the abilities of actors to make choices in the future. However, for the purposes of this dissertation's analysis, it is important to note that not all power exercised by institutions is institutional. Barnett and Duvall (2005, p.59) note that institutions such as the World Bank can exercise compulsory power and does so particularly in relation to developing countries.

As discussed above, the notion of false consciousness, where the consciousness of the ruled is distorted and they perceive the interests of the leading class as their own, is important to both Gramsci and Cox. In line with the idea of false consciousness, hegemony in the Gramscian and Coxian sense implies that consent has been secured for the world view and interests of the ruler. Hegemony is therefore a structural kind of power.

In this context, it is worth recalling the criticism levelled by Scott (1985; 1990) against Gramsci, as well as Scott's own thinking around false consciousness. For Scott, false consciousness can be understood both in a 'thick' and in a 'thin' sense (1990, p.72). The 'thick' understanding is that ideology makes the oppressed believe in the values of the system that oppresses them. This is the way in which Gramsci, and later Cox, used the term. Scott is critical of this understanding, because he does not see much empirical evidence for that kind of subordination.

Instead, Scott argues that subordinate groups generally do not believe wholeheartedly in the systems that oppress them. Rather, they resist them in different ways. Therefore, in the 'thin' version of false consciousness, the oppressed resign rather than consent to the system that oppresses them. What comes across as false consciousness is in actual fact the oppressed acquiescing until the right moment comes to resist. For Scott, the relation between coercion and consent is not a case of either or, but rather a matter of degree. He notes:

“Most of the political life of subordinate groups is to be found neither in the overt collective defiance of powerholders nor in complete hegemonic compliance, but in the vast territory between these two polar opposites” (1985, p.136)

Scott's remarks inspired me to think of Barnett and Duvall's notions of compulsory and structural power as opposite poles of a single continuum, rather than mutually exclusive kinds of power. It is certainly useful to distinguish between the two for definitional purposes, but the different types of power overlap both conceptually and empirically. Indeed, Barnett and Duvall also note this, recommending IR scholars to explore how their four concepts of power interact (2005, p.68).

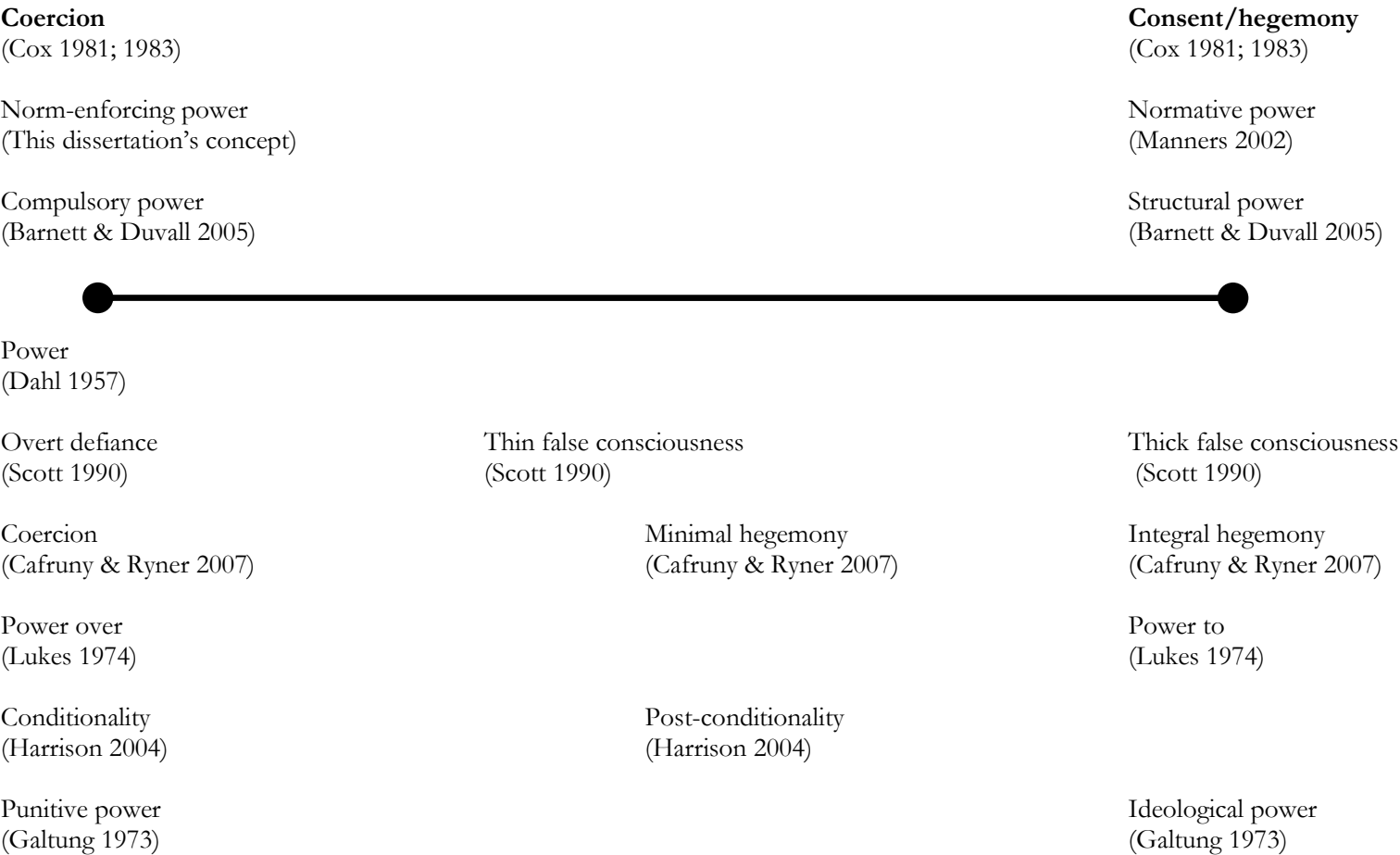
I illustrate my thinking in this regard by means of a figure termed ‘the coercion-consent continuum’ (Figure 5 below) which serves as a reference point for my theoretical discussion around power. I place Scott’s ‘overt defiance’ at the ‘coercion’ end of the coercion-consent continuum. Scott’s ‘thick false consciousness’ is located at the ‘consent’ end, while his notion of ‘thin false consciousness’ is found between the two.

In a similar vein as Scott, Cafruny and Ryner (2007, pp.143–144) argue that there is a stage between consent and coercion, namely that of ‘minimal’ hegemony. In a situation of minimal hegemony, the system is unstable but there is still a degree of consent and there is no organised counter-hegemony. For Cafruny and Ryner, minimal hegemony can be contrasted with a situation of ‘integral’ hegemony, where there is a strong sense of consent and commonality of interest between the hegemon and its subordinates. I place Cafruny and Ryner’s notion of ‘minimal hegemony’ further towards the ‘consent’ end compared to Scott’s ‘thin false consciousness’, given that minimal hegemony involves a degree of consent. Cafruny and Ryner’s ‘integral’ hegemony, I place at the ‘consent’ end of the continuum.

At the end points of the coercion-consent continuum I also place British sociologist Lukes’ (1974; 2004; 2011) notions of ‘power over’ and ‘power to’. The notion of false consciousness was important to Lukes when he developed his famous theory of the three dimensions – or faces – of power. The approach to power that Lukes termed the ‘first dimension’ has been articulated most clearly by Dahl, whose work focused on the direct, behavioural aspects of power. In the Dahlian definition, cited above, B’s interests are conceived of in the subjective sense, as the interests that B herself defines as hers. Lukes termed this the ‘liberal’ conception of interests. Studying power in the one-dimensional sense implies, simply put, to determine whose policy preferences retain sway in decision making processes. This kind of power is also referred to as ‘power over’, and I place it at the ‘coercion’ end of the coercion-consent continuum.

Lukes’ ‘second dimension’ of power moves beyond direct contestation between actors’ subjectively defined interests. In this approach, one must in order to understand power also consider practices of agenda setting, because it is the ability to raise or lower barriers for participation in public airing of political views that it is decided whose subjectively defined interests are brought up for consideration in the formal decision making process.

Figure 5: The coercion-consent continuum, including ‘norm-enforcing power’ and ‘normative power’



This approach to power was developed as a critique to Dahl, and was most notably formulated by Bachrach and Baratz (1962). This entails to power entails A succeeding in preventing B “from bringing to the fore any issues that might [...] be seriously detrimental to A’s set of preferences” (1962, p.948). Bachrach and Baratz also argued that Dahl neglects the aspect of power that is non-behavioural, namely those agenda-setting practices that come in the form of non-decisions. For Lukes, this is the ‘reformist’ approach to power.

Drawing on the notion of false consciousness, Lukes argued that the first two dimensions of power are inadequate and proposed a ‘radical’ understanding, namely his ‘third dimension’ of power, which focuses on domination. He argued that an analysis of power must not just cater for actors’ subjective interests, because such ‘individual wants’ may be concealed by false consciousness. For Lukes, in the third dimension, “A exercises power over B by influencing, shaping or determining his very wants” (2004, p.27). Consequently, Lukes argued that ‘objective interests’ must be included into the analysis. Actors’ objective interests, for Lukes, can be defined as “what they would want and prefer, were they able to make the choice” (1974, p.34).

Moreover, Lukes argued that a theory of power must incorporate what he termed ‘latent conflict’. If actors do not always know their objective interests, then a society that seems to be conflict-free may in fact be one of manipulated consensus. Underlying conflicts of interest between those who exercise power and those over whom power is exercised must therefore be uncovered in empirical analysis. The third dimension is also referred to as ‘power to’, and I place it at the consent end of the coercion-consent continuum.<sup>13</sup>

Lastly, I will consider Harrison’s notions of ‘conditionality’ and ‘post-conditionality’ in relation to the theories discussed above. As mentioned, during the periods that Harrison terms ‘conditionality’, conflict is at the forefront and the leadership of the African country in question resists the IFIs’ loan conditions openly. During this phase, the IFIs have to coerce the leaderships of African countries into complying with their conditionalities. I therefore place this phase at the ‘coercion’ end of the continuum.

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<sup>13</sup> In the 2004 edition of his book *Power: A Radical View*, Lukes nuanced his idea of the third dimension of power as domination, and conceded that power in the third dimension can for instance also be positive and productive (e.g. Swartz 2007). This dissertation does not engage in more depth with that conceptual discussion, however, because that is not necessary for its purposes.

During post-conditionality periods, aid relations become more collegial and the borrowing country implement the IFIs' loan conditions without external pressure. I noted above that the post-conditionality phase bears a conceptual resemblance to Coxian hegemony. However, as I read Harrison, the post-conditionality phase differs slightly from a situation of hegemony. Conditionality still lingers during this phase, and all parties remain aware of the close monitoring that the IFIs conduct of the borrowing country's reform performance. High-ranking civil servants of borrowing countries do consent to certain elements of the IFIs' conditionality agenda during this phase, but they acquiesce consciously to others because it has become the most reasonable thing to do after giving in to the IFIs after a conflict or stand-off. The post-conditionality phase thus resembles Cafruny and Ryner's notion of 'minimal hegemony', and the two share a position on the coercion-consent continuum.

Returning to this dissertation's approach to power, I noted above that as I see it, there is norm-enforcing power (the power to enforce norms upon others) and normative power (the power to define the 'new normal'). Put in Dahlian terms, A has norm-enforcing power over B in case A can get B to abide by a norm that B would not otherwise follow. Put in terms of Lukes' third dimension, A exercises normative power over B if A can influence, shape or determine B's own normative preferences. In my Coxian-inspired framework, norms can thus gain sway by means of purely coercive, norm-enforcing power, or by means of consensual, normative power. However, a mix of the two can also be at play, for instance during a post-conditionality phase. In order to illustrate this point, and to show how my thinking around relates to the relevant, existing literature on power, I have placed 'norm-enforcing power' and 'normative power' at the two end points of the coercion-consent continuum.

### **5.3.1 How IOs exercise norm-enforcing and normative power**

I deploy my conceptualisation of power to IOs as follows. Norm-enforcing power is at play if a country has declared an intention to follow one norm, but is coerced by an IO into following another. IOs exercise such norm-enforcing power by leveraging its material clout to make a country adhere to a norm, for instance by making disbursements of a loan from the IO conditional upon adherence to a norm. By contrast, normative power is at play if an IO manages to define the 'new normal', to make a country's leadership consent to the norm promoted by the IO and believe that is the most appropriate norm for that country to follow.

My thinking around the normative power of IOs is inspired by Ruggie (1975), for whom an epistemic community is a social formation where one particular understanding of social reality prevails, and which

circumscribes the way in which its members can visualise political relationships. Following this line of thought, I argue that when an IO has normative power over a country, it has included that country in its epistemic community. In order to thus expand this epistemic community, the IO deploys its epistemic authority, defined as the power to make things known and shape how states and non-state actors understand the world.

An IO deploys its epistemic authority by mobilising its professional expertise, control over information and intellectual leadership to make other actors subscribe to the IO's world view, for instance by means of persuasion and knowledge manipulation. In Coxian terms, the IO thus produces consent, making countries internalise the interests and outlook of the IO as their own. My approach to the epistemic authority of IOs draws on constructivist thought, but my thinking differs from constructivism in the sense that I see the epistemic authority of an actor as hinging upon that actor's link to a material power base. Therefore, an influential IO would for instance have more epistemic authority than a small non-governmental organisation.

As noted, norm-enforcing and normative power are placed at the end points of the coercion-consent continuum, but a mix of the two forms of power can also be at play. For instance, a country may be coerced into complying with certain elements of an IO-promoted norm while consenting to others. There may also be instances where normative power seems to be at play because a country's leadership purports to believe wholeheartedly in an IO-promoted norm, while in reality only adhering to it for strategic reasons or, as Scott (1985; 1990) puts it, acquiescing until the right moment comes to resist. Those forms of power would be placed between the end points of the coercion-consent continuum.

In a similar vein, if norm-enforcing power seems to be at play, it is necessary to verify empirically that the country in question actually abides by the norm, not just pays lip service to it. A country may also be following a norm because it has been coerced into doing so, while at the same time clandestinely doing everything in its power to undermine the norm. In such a situation, the IO would lose its norm-enforcing power at the moment when the country stops adhering to the norm. These are all examples of different possible ways in which IOs' power to set norms can manifest. Which kind of power is at play in each instance has to be ascertained empirically.

## 5.4 Operationalisation

I deploy my Coxian-inspired analytical framework in four empirical chapters, seeking to ascertain to what extent, how and why Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries. The first empirical chapter (chapter four) deploys the concepts 'mechanism of hegemony', 'norm', 'coercion' and 'epistemic authority', and pays attention to the first working question:

*WQ 1: What constitutes the IMF's power to promote its public debt norm?*

In this chapter, I introduce the IMF and conceptualise it as a mechanism of hegemony. I then introduce the IMF's public debt norm, conceptualise it as one of the ideas of the *Pax Americana* and distinguish it from the *Pax Americana*'s collective image of neoliberalism. Subsequently, I discuss how the power relations between the IMF and its developing member countries have played out since 1952 when the IMF started using conditionalities. I argue that the IMF has implemented its conditionalities both by means of coercive power and epistemic authority.

Subsequently, I conduct a baseline study of whether the IMF had power to set norms in the DRC before the Sicomines agreement was signed. I conclude that at this point, the IMF was poised to exercise significant power to set norms in the DRC, given the material capabilities of the IMF's most influential stakeholders and the country's need for debt relief and post-conflict reconstruction.

The second empirical chapter (chapter five) deploys the concepts 'norm entrepreneur' and 'counter-hegemonic idea' and explores the conceptual link proposed by Cox between power in production, power in the state and power in international relations. It pays attention to the dissertation's second working question:

*WQ 2: What constitutes China's power to challenge the IMF's public debt norm?*

A pivotal assumption in Cox' analytical framework is that the production process is the locus from which power emerges as well as the site where change in world orders is instigated (1981, pp.141, 149). Thus, he developed his world order framework with a view to examining "the connections between power in production, power in the state, and power in international relations" (1981, p.135). I am inspired by these conceptual connections, and in this chapter I show that China's ability to challenge the IMF's public debt norm (power in international relations) hinges on the country's financial clout



(power in the state), which in turn derives from the economic growth and trade surplus brought about by the past decades' changes in the organisation of production in China (power in production). Specifically, the dissertation focuses on China Exim Bank and conceives of it as a norm entrepreneur whose norm-setting power hinges on the financial clout of the Chinese state.

As a norm entrepreneur, China Exim Bank promotes a Chinese public debt norm. I conceive of this norm as a counter-hegemonic idea because it challenges the IMF's public debt norm. However, I draw on the distinction between a 'norm' and a 'collective image' to show that the Chinese norm challenge concerned only one of the neoliberal world order's norms, not its entire collective image.

The third empirical chapter (chapter six) deploys the concepts 'trasformismo', 'norm-enforcing power' and 'epistemic authority' and devotes attention to the third working question:

*WQ 3: Why did the IMF deploy both norm-enforcing power and epistemic authority to counter the Chinese norm challenge in the DRC?*

In this chapter, I deploy the concept of *trasformismo* to analyse the IMF's reaction to the Sicomines agreement. As a mechanism of hegemony, the IMF pursued the agenda of the influential states on its board during the Sicomines controversy, namely to co-opt the counter-hegemonic Chinese idea, ensuring that the Sicomines agreement was revised so as to comply with the IMF's public debt norm. The IMF performed *trasformismo* by means of both norm-enforcing power and epistemic authority.

Using norm-enforcing power, the IMF made the Congolese government downsize the Sicomines agreement significantly. Subsequently, the IMF deployed its epistemic authority. By means of the specific strategy of knowledge manipulation, the IMF silently compromised its own concessionality calculation to make it look like the Sicomines agreement complied with IMF's public debt norm, which in reality it did not do. The chapter argues that the reason why the IMF had to complement its norm-enforcing power with such knowledge manipulation was that the organisation's clout in terms of development finance provision was, relative to that of China, not big enough to enable the organisation to perform *trasformismo* solely by means of norm-enforcing power.

The fourth and last empirical chapter (chapter seven) deploys the notions of 'norm-setting power', 'trasformismo' and 'post-conditionality' and devotes attention to the fourth working question:

*WQ 4: What was the outcome of China's challenge to the IMF's public debt norm in the DRC and in other African countries?*

In this chapter, I argue that Chinese commercial development finance was able to impact on the IMF's norm-setting power in African countries. Because of the sheer magnitude of the Chinese commercial development finance offers, the IMF had to silently compromise and subsequently formally revise its public debt norm in order to keep a seat at the table in its developing member countries. The chapter develops this argument drawing on the in-depth case study of the DRC and three minor case studies of Chinese challenges to the IMF's public debt norm in Angola (2009) and Ghana (2011-2012) as well as the formal revisions to the IMF's public debt limits framework in 2009.

In this chapter, I also deploy the concept of *trasformismo* to show that the strategies used by the IMF to counter the Chinese norm challenge in the DRC were successful in terms of producing a degree of consent for the IMF's public debt norm. To this end, I deploy Harrison's notion of the 'post-conditionality phase'. As noted, the characteristic of such a phase is that the IFIs exercise a more consensual form of power over borrowing countries. After the settlement of the Sicomines controversy in 2009, the relation between the DRC's leadership and the IMF met this conceptual requirement. At this point, the IMF had succeeded in fabricating a degree of consent for its public debt norm in the DRC, and the organisation's power in that country was therefore characterised by a mix of norm-enforcing and normative power. The IMF's power to set norms in the DRC after the Sicomines controversy should thus be placed in the middle of the coercion-consent continuum.

I argue that the post-conditionality phase came about partly because the IMF's problem-solving performance had improved its relations to the Congolese leadership and produced consent for the IMF's public debt norm. However, for the most part, it came about because no other Chinese challenge to the IMF's debt norm had emerged.

## Chapter 3: Methodology

### 1. Research design

Miles and Huberman (1994, pp.16–18) make a useful distinction between ‘loose’ and ‘tight’ research designs in qualitative research. In a loosely designed research endeavour, an inductive approach is used. The conceptual framework emerges from the field, the research questions are refined along the way and the approach during field work is open and unstructured. In loosely designed studies, non-purposive sampling is often used because the idea is that “meaningful settings and actors cannot be selected prior to field work” (Miles & Huberman 1994, p.17).

In contrast, a tight research design means that the researcher approaches the field with a pre-existent conceptual framework and well-defined research questions and data gathering techniques. A tightly designed study is planned to a greater extent beforehand. As Miles and Huberman note, most qualitative research endeavours use research designs that can be characterised as a combination of loose and tight (1994, p.17).

This study was initially designed as a ‘tight’ qualitative research endeavour. I had defined the conceptual framework, the research questions and the data gathering techniques before going to the field. While the empirical focus and the data gathering techniques have remained the same throughout the research endeavour, the project has seen significant conceptual development since the onset. During the first of my two field work periods for this project, new themes emerged and I realised that it would be beneficial to the project if I took a more inductive approach and explored the conceptual themes emerging from the data.

The salient theme emerging was the contestation between the two different approaches to public debt management, namely the IMF’s and China’s respective approaches. This was not what I had originally intended on studying and thus the research process eventually became more inspired by loose, grounded approaches than I had originally intended. Such changes are certainly common in qualitative research endeavours where, in Miles and Huberman’s words, “initial design decisions nearly always lead to redesign” (1994, p.16; see also Flyvbjerg 2011, p.309).

## **1.1 The Sicomines agreement: a critical case**

I regard the controversy around the Sicomines agreement as a critical case for shedding light upon the issue of the extent to which, how and why Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries. Flyvbjerg's definition of a critical case is one which allows for "achiev[ing] information that permits logical deductions of the type, "If this is (not) valid for this case, then it applies to all (no) cases" (2011, p.307). In terms of the research question raised in this dissertation, a critical case would be one where a sizeable Chinese development finance offer is extended at a time where the IMF's power to set norms in terms of public debt management is strong. If the Chinese development finance offer impacts on the IMF's power to set norms in in that case, it is likely to do so in other, similar situations as well.

The Sicomines controversy is precisely such a critical case. It concerned a sizeable Chinese development finance offer, extended at a time and in a country where the IMF was poised to exercise significant power to set norms in terms of public debt management. The case has been selected using what Flyvbjerg terms an "information-oriented case selection strategy" whereby "[c]ases are selected on the basis of expectations about their information content" (2011, p.307).

## **1.2 Process tracing**

As I conducted the field work for this dissertation, I sought to produce a deep, contextually sensitive account of the controversy around the Sicomines agreement. The study was thus carried out according to what Flick (2009, p.136) terms "the principle of case reconstruction" and was inspired by process tracing, a method which is suitable for endeavours where the researcher systematically seeks to "reconstruct an event or set of events" (Tansey 2007, p.766).<sup>14</sup> Process tracing is time intensive since it requires collecting large amounts of information (Checkel 2006, p.367; George & Bennett 2005, p.223; Tansey 2007, p.765). As noted by Lincoln, "seeking out multiple constructions of the world by multiple stakeholders has to be marked by serious, sustained searches for, and prolonged engagement with, those stakeholders and their constructions" (1995, p.276).

The research strategy that I used to piece together as valid an account as possible of the complex Sicomines controversy was to conduct a large number of semi-structured 'expert interviews' throughout 2008-2012. In the 'expert interview', the respondent is considered to be an expert with a

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<sup>14</sup> Process tracing has also been defined differently, see for example Checkel (2006) and Collier (2011).

great deal of insight to convey in terms of the topic at hand. This type of interview is considered a useful methodological tool for process tracing endeavours (Burnham et al. 2004, pp.205–220; Tansey 2007). Below, I discuss the interview process, the sampling strategies and the validation strategies used. Conducting expert interviews can certainly be challenging, and I discuss the difficulties I encountered in this regard in section three of this chapter.

### **1.3 Referral and judgmental sampling**

The aim of the interviews was to gather the specific information needed for the process tracing endeavour, not to engage with a statistically significant sample of respondents. I therefore used non-probability sampling and did not select my respondents on a random basis. Instead, I identified my respondents using referral sampling, or ‘snowballing’, which is a technique where the researcher continuously asks respondents to refer her or him to other suitable respondents. This is considered a useful sampling technique for a study which uses expert interviews as a data gathering tool (Burnham et al. 2004, pp.205–220; Tansey 2007).

The success of a snowballing strategy depends on the personal network of the researcher. In my case, I started building my network in the DRC when I first began doing research there in 2008 in my previous capacity at the Centre for Chinese Studies at Stellenbosch University in South Africa (see section 1.4.1 below). As I kept returning to the field, my network grew stronger and during my last field work period in 2012, I was able to have direct, candid talks with several key high-level actors.

Certainly, the nature of referral sampling is such that its representativeness is questionable (Babbie 2013, p.191). I was aware of this risk, and my strategy to ensure that my sample was not lopsided was to combine the referral sampling with judgmental sampling, a method where the researcher selects the respondents based on her or his knowledge of the population at hand: “in short, based on your judgement and the purpose of the study” (Babbie & Mouton 2001, p.166).

More specifically, I practiced judgmental sampling through continuous reflection over whether I had consulted all relevant stakeholders. I also sought to ensure that I had not neglected any perspectives or voices by continuously asking a large number of peers and stakeholders knowledgeable about the subject matter to provide critical feedback on my written work and on my understanding of the developments at hand.

#### **1.4 Data gathering techniques: semi-structured interviews and desktop research**

I used two data gathering tools in this research project: semi-structured interviews and desktop research. The latter served to collect secondary data such as news reporting and official documentation, a process that had been underway since I first started researching the subject matter in 2008. The semi-structured interviews served to collect primary data and were conducted during a total of six months of field work in the DRC: three months in 2011 (February-May) and three months in 2012 (October-January). The lion's share of this time was spent in Kinshasa, but I also spent a week in Lubumbashi interviewing representatives for Chinese companies operating there.

During the field work in 2011, I was joined for two weeks by Professor Jiang Wenran, then Mactaggart Research Chair of the China Institute at the University of Alberta, Canada, who conducted interviews with key Chinese respondents together with me. Professor Jiang has a long track record of researching China's energy policy and proved invaluable in terms of opening doors to, and building trust with, key Chinese stakeholders in the DRC. The collaboration with Professor Jiang was a useful learning experience, both for my understanding of the developments we researched together, as well as for my relations with the relevant Chinese respondents. The findings of the interviews we conducted together are to be credited to Professor Jiang as much as to myself. When I refer to the relevant interviews in this dissertation, I indicate that the interview was conducted by both of us.

In addition, this dissertation draws on insights gained during field work conducted in the DRC in September-October 2008 and in February-March 2009, in my previous capacity as a researcher at the Centre for Chinese Studies at Stellenbosch University in South Africa. The aim with both those field work periods was to explore the Chinese presence in the DRC.

In total, the dissertation draws on insights gained from around 150 semi-structured expert interviews. In order of importance, the sample of Congolese respondents comprised civil servants representing government departments and agencies, civil society actors, corporate actors, and local employees of Western embassies. The Chinese respondents comprised representatives for small- medium and large-sized companies active in public works, mining, retail and manufacturing, the Chinese Ministry of Foreign Affairs and the Ministry of Commerce (posted to the Chinese Embassy in the DRC), and health care and agriculture projects.

I also interviewed Western diplomats and aid workers, representatives for the IMF and for the UN's peacekeeping operation MONUSCO, and representatives for Indian and South Korean companies and embassies. Moreover, I had a large number of informal conversations with relevant stakeholders such as journalists posted to the DRC. I provide examples of the substance of the interviews below. In some of the interviews, I also obtained useful documentation such as contracts and other kinds of unpublished material that I would not have been able to access through desktop research.

Some of the interviews conducted generated crucial evidence that I draw on in the empirical chapters of this dissertation. These interviews are listed in Annex I of this dissertation. Other interviews fulfilled the important purpose of improving my own knowledge of the Sicomines controversy and of the Congolese context. Yet other interviews generated important evidence, but for theoretical themes that lay outside of the final remit of this dissertation.

#### **1.4.1 Gaining access and conducting the semi-structured interviews**

I found the semi-structured interview a useful data gathering tool because of its flexibility. It allowed me both to plan my interviews and elaborate on the new interesting themes that arose during the interviews. I conducted the interviews myself and did not use questionnaires or research assistants. Because I used a 'loose' research design, and given that my approach to the subject matter evolved throughout the research process, it would have been suboptimal to use printed questionnaires or give a fixed set of questions to a research assistant. It was central to the analytical process that I was present in each interview and able to expand directly on new themes that emerged.

Ahead of each interview, I considered in detail how each particular respondent would inform the different aspects of my study. I listed the questions in order of importance, wrote them down and brought them to the interview. During the interview, I would only look at the questions towards the end to confirm that all subjects of interest had been covered. Most of the time, I remembered what I wanted to discuss with that particular respondent and the conversation flowed naturally from one topic to the other.

The interviews covered two main themes. The first pertained to the process tracing endeavour and focused on ascertaining which stakeholders from the DRC, the IMF and China played key roles during the controversy, and how their respective approaches to the Sicomines agreement evolved. The second

theme covered factual matters such as the relative financial clout of the different actors, the size and terms of different loans, and the kind of infrastructure project financed by a certain donation.

The majority of interviews were individual one-on-one conversations. On a few occasions where a respondent brought her or his deputy, assistant or colleagues to the interview, I conducted interviews with several respondents present. These interviews did not take the character of a focus group discussion, however, since it was mainly the initial respondent that engaged with my questions. It would probably have been desirable to engage with the respondents on a one-on-one basis, but in the social context, it was not possible to ask one of the respondents to leave the room.

Another reason why it would not have been suitable to use questionnaires or research assistants was that the Sicomines agreement is highly politically sensitive, as we shall see in section 3.2 of this chapter. It was therefore important to the project's investigative success that I was personally present in all interviews and built relations to the respondents.

Getting in touch with the central respondents from key Congolese government departments, the IMF and Western donor organisations was a fairly straightforward process. As noted, the DRC is a difficult environment to work in and it is also a Francophone country. These two factors prevent many scholars (and journalists, for that matter) from doing field work in the country. This means that the relevant stakeholders in the DRC do not often encounter researchers, and they were therefore often interested in engaging with me. This contrasts with the researcher fatigue that has been noted for example in Zambia, an Anglophone country where it is relatively easy to work, and which over the past years has seen a virtual invasion of scholars and students wanting to do research on the Chinese presence in the country.<sup>15</sup>

The process of gaining access to the Chinese respondents required a greater relationship building effort, however. I started building my networks among the Chinese actors in the DRC in 2008 when I first conducted field research in the DRC for the aforementioned Centre for Chinese Studies. Together with Professor Jiang Wenran, with whom I already collaborated at that time, I interviewed representatives of Chinese small- and medium sized enterprises operating in and around Lubumbashi, capital of the DRC's mineral-rich, south-eastern Katanga province.

As part of the same research endeavour, I also travelled to Kinshasa and interviewed, among others, then Chinese Ambassador Wu Zexian. The results of this project can be found in Jansson, Burke, and

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<sup>15</sup> I thank Peter Kragelund for this insight.



Jiang (2009). In 2009, I conducted field work in Kinshasa for a different project for the Centre for Chinese Studies, visiting Chinese aid projects and interviewing the Chinese Ambassador, representatives of different Chinese companies active in Kinshasa and small-scale traders in Kinshasa's *cités* (townships). The results of this research endeavour can be found in Centre for Chinese Studies (2010).

During these research endeavours, I was most probably helped by the fact that I represented the Centre for Chinese Studies. The Centre was established following a high-level diplomatic agreement in 2004 between then Deputy President Jacob Zuma of South Africa and Zeng Qinghong, then Chinese Vice President, during the Sino-South African bilateral commission of that year (Department of Foreign Affairs 2004).

The Centre was also conferred the status of a Confucius Institute, the Chinese equivalent of France's *Alliance Française* and Germany's *Goethe-Institut*, teaching Chinese language and culture (Centre for Chinese Studies 2013). In a context where many Chinese stakeholders in African countries experienced that Western media and activists misunderstood and were overly suspicious of them, my representing the Centre for Chinese Studies was probably a trust building and access facilitating advantage. In sum therefore, when I embarked on this PhD project in 2010, I had already built up a network among the Chinese actors living and working in the DRC.

As mentioned, Professor Jiang Wenran also joined me for two weeks during my first field work period for this dissertation in 2011. Together, we interviewed Chinese company representatives and diplomats in Lubumbashi and Kinshasa. When I came back to Kinshasa in 2012 for my final field work, I could tell that the Chinese respondents appreciated my track record of engagement with them and their compatriots. They also appreciated the publications I could show from my earlier field research undertakings (Jansson, Burke & Jiang 2009; Centre for Chinese Studies 2010; Jansson 2011), which proved that I had respected my commitment to those respondents who had asked to remain anonymous. My efforts at investing in personal networks in the DRC paid off during my last field work period in 2012, when the Chinese respondents opened their doors to me to in a whole new way.

Lastly, in terms of languages, I conducted the interviews mainly in French, which I speak fluently, and in English. Most of my interviews with Chinese respondents were conducted in French, since the Chinese stakeholders working in the DRC often speak that language. In the few interviews where the Chinese respondent in question did not speak French, I was either helped by Professor Jiang Wenran or, in cases where I conducted the interview alone, by the Chinese respondent's own interpreter.

### 1.4.2 Documenting the interviews

In the early stages of my PhD research, I decided not to record my interviews. I had noted when I conducted field work on the Chinese presence in the DRC in 2008 and 2009 that many respondents found the topic sensitive. When I embarked on this research project in 2010, I therefore decided not to record my interviews. This was part of an ambition to make the respondents feel at ease because the more formal the interview setting, the less likely the respondent is to feel comfortable enough to discuss the issues at hand (Leech 2002, p.665).

Instead, the method I used for documenting the interviews was to take extensive notes. Such researcher's notes are indeed "the classic medium for documentation in qualitative research" (Flick 2009, p.296). At the beginning of each interview, I would ask the respondent if she or he allowed me to take notes. I wrote down useful quotes verbatim, and sometimes I asked the respondent for a few seconds break in the conversation in case I needed time to finish writing. After the interview, I immediately typed up my notes in a word document, adding impressions and thoughts that I may not have had the time to write down during the interview. This strategy follows the general recommendation that notes should be written up immediately (Lofland and Lofland 1984 in Flick 2009, 296–297).

My own reflections were marked with [square brackets] in the word document, distinguishing them from what the respondent had said. I am aware of existing, more elaborate techniques for note taking in the field (Flick 2009, 386; Sanjek 1990), but I find that the technique I used worked well for this study. The word documents in which I typed up my notes have since become an invaluable resource to which I can go back to and read what a respondent said, and run searches in the documents for specific terms or themes. I did not use software such as NVivo for my data analysis because my analytical process was an iterative journey between data gathering, reading and writing which did not require coding as such.

I realised towards the end of my last field work period in 2012, when I had discussed field methods with other researchers and journalists I encountered in the field, that it would have been an asset to have recordings to go back to as a complement to my detailed notes. Thus, in hindsight, I believe that a better solution for interview documentation would have been to bring a recorder to each interview and ask the respondent if she or he would allow me to record, offering her or him the opportunity to speak 'off the record' in case the conversation touched on sensitive issues. In my final interviews, I therefore started asking the respondents whether they agreed to be recorded. Some declined, while others agreed.

If I had started to record interviews from the beginning of my field research, I would probably have had recordings of at least some of the interviews, subject to respondent approval. However, I do not see the lack of recorder usage as a major drawback of my material, since I have the detailed notes.

### 1.5 Ethical considerations

Ethical considerations are important when conducting field work (Hesse-Biber & Leavy 2011, pp.59–89; Ryen 2006). In certain countries and contexts, researchers are required to apply for research permits in order to conduct field work. In my case, the Congolese authorities have never required that I apply for such a permit. They were certainly aware of my existence and my research given that I interviewed Congolese high-level civil servants during all my field work endeavours in the DRC. I was always open with my respondents in terms of who I was and what the purpose of my research was, and the fact that I was never asked to apply for a research permit indicates that Congolese authorities probably did not deem this necessary.

I did not work with an informed consent letter (Hesse-Biber & Leavy 2011, pp.64–69) in this research project, but I informed all respondents about the purpose of the interview and asked each respondent how he or she wanted to be cited. In the few instances where I did not ask this question during the interview, I contacted the respondents to get their approval before quoting them in this dissertation. Most respondents agreed to be cited as anonymised representatives for their organisations, departments or companies. Some respondents agreed to be cited with their name, while others did not want to be mentioned at all. The last category of interviews does not appear anywhere in this dissertation, but many of them have been crucial to my understanding of the politics around the Sicomines agreement.

It is possible that some of my respondents encountered difficulties after having talked to me. When I conducted my fieldwork, I was not a well known figure in the DRC. Most respondents probably thought of me as a student whose work would not have a great deal of impact. However, as I discuss in section 3.2 of this chapter, an article that I published in *Review of African Political Economy* in 2013 stirred up a domestic political controversy and probably made certain respondents aware that having talked to me could be problematic.

In May 2014 as I was working on the dissertation manuscript, I contacted one respondent for a follow-up question. This respondent had agreed to be cited with his name when I had interviewed him during my field work. This time, he did give me the information I wanted, but asked to be anonymised in the

manuscript. I do not know what made him change his mind in terms of being mentioned with his name, but it seems plausible that this was related to the controversy that surrounded my work in 2013.

As I discuss in section three below, I too was surprised at how controversial my research was perceived to be in the DRC. Had I known, I would certainly have approached the whole research endeavour in a different manner, including considering the potential harm that it might cause respondents to be consulted in my research process. However, I believe that the responsibility is shared in these situations. Each respondent is responsible for her or his decision to agree or not to be consulted and/or cited, but I as a researcher am responsible for providing the respondent with adequate information upon which to base their decision.

I was always open with my respondents in terms of my research topic and my work. However, I was not aware that my research was controversial, and thus I could not provide the respondents with adequate information in this regard. This ethical dilemma arose after my field work was completed. I find that I have done what I could to cater for this problem, given that I have respected requests from respondents to be anonymised.

## **1.6 Material**

As indicated in Table 2 below, this dissertation draws on both primary and secondary data. The primary data has mostly been gathered in the semi-structured interviews discussed above, but it also includes documents such as contract texts. The secondary data is drawn from a wide range of published sources, notably existing scholarly work and newspaper articles.

**Table 2: Overview of material used in the dissertation**

	<b>Analysis of</b>	<b>Primary data</b>	<b>Secondary data</b>
<b>Chapter four</b>	The IMF as a ‘mechanism of hegemony’, embodying the material capabilities of the hegemonic order	-	Scholarly literature on the IMF as an organisation and on its role as lender of last resort for its developing member countries
	Neoliberalism as the Pax Americana’s collective image	-	Scholarly literature on neoliberalism
	The IMF’s public debt norm	Published information around the IMF’s debt limits framework	-
	The HIPC process as a progressive rather than a neoliberal policy	Published information around the HIPC process	Scholarly literature on the HIPC process
	The material underpinnings of the IMF’s power to set norms in the DRC at the time of the Sicomines controversy	Interview data gathered during field work in the DRC	Scholarly literature on the state-centred post-conflict reconstruction project in the DRC and the IMF’s role therein
	China’s financial clout	Data on China’s growth figures and foreign exchange reserves	-
<b>Chapter five</b>	China’s financial institutions, with specific focus on China Exim Bank as a norm entrepreneur	Analysis of an article by China Exim Bank’s President Li	Scholarly literature on the Chinese foreign policy making process and China’s financial institutions
	The Chinese public debt norm	Analysis of an article by China Exim Bank’s President Li	Scholarly literature on the Chinese public debt norm
	China’s relation to the Pax Americana’s collective image of neoliberalism	-	Scholarly literature on China and neoliberalism
	Introducing the Sicomines agreement and how it embodies the Chinese public debt norm	- Interview data gathered during field work in the DRC - The different contract texts that regulate the Sicomines agreement	Scholarly analysis of the Sicomines agreement
	The IMF’s reaction to the Sicomines agreement	Interview data gathered during field work in the DRC	Scholarly analysis of the Sicomines controversy
<b>Chapter seven</b>	The IMF’s revision of its public debt norm in 2009	The IMF’s published information around its public debt norm	Scholarly analysis of the IMF’s revisions to its public debt norm
	The IMF’s compromises to its public debt norm in Angola (2009) and Ghana (2012)	IMF press releases	- News reporting - Scholarly work on the IMF’s compromises in Angola and Ghana
	The post-conditionality phase in the DRC and the absence of new Chinese development finance offers to the DRC after Sicomines	Interview data gathered during field work in the DRC	-

## 2. Rigour and validity

It has been debated whether or not the terms ‘rigour’, ‘reliability’ and ‘validity’ should be used in qualitative research. The term ‘trustworthiness’ has been used instead of the term ‘rigour’ (e.g. Guba 1981), and terms such as ‘credibility’, ‘transferability’, ‘dependability’ and ‘confirmability’ have been used instead of ‘reliability’ and ‘validity’ (Lincoln 1995, p.277). This practice of using alternative terms is seen as problematic by certain qualitative scholars, who argue that qualitative research should use the same terminology for ensuring rigour as mainstream research does in order to be “funded, published, implemented, [and] taken seriously” (Morse 1999, p.717; see also Morse et al. 2002).

I agree with the latter critique in the sense that it is useful for qualitative researchers if the terms they use can be understood by scientists more broadly. However, it all depends on the ontological and epistemological approaches used, and I do recognise that the alternative terms may be more suitable for certain types of qualitative work. In this dissertation, I have chosen to retain the terms ‘rigour’ and ‘validity’ since I find that they are useful to the kind of work that I do.

The term ‘reliability’, however, does not apply very well either to my work, or to qualitative research in general (Flick 2009, p.387). There are two reasons for this. First, the kind of ‘expert’ respondents I engaged with often relocate and their memories of the events researched fade as time passes by. Second, the access I managed to negotiate hinged on personal networks that I had invested in for several years. Any researcher seeking to explore the same dynamics would either need to have good networks from the onset, or invest a similar amount of time building them. Given the relative scarcity of research on the Chinese presence in the DRC, I do not envisage such a study being undertaken in the near future. Thus, it will not be possible to compare my results with the results of a similar study.

The term ‘validity’ had been defined in many different ways. In this dissertation, it refers to the process of “determining the degree to which researchers’ claims about knowledge corresponded to the reality (or research participants’ construction of reality) being studied” (Cho & Trent 2006, p.319). In this research project, I have used three strategies to ensure validity. All three are based on active interaction between the researcher, the respondents and other relevant, knowledgeable individuals. Cho and Trent term this approach ‘transactional validity’ (2006, p.320). I chose this interactive approach to validity because of the obvious risk that I, being the only researcher working on the study, would bias or otherwise make an inappropriate interpretation of the material (Hesse-Biber & Leavy 2011, p.315).

The interactive approach to validity thus entailed the following. First, I have used what Flick terms “between-method triangulation” (2009, p.448) as much as possible, interviewing a large and diverse sample of respondents and reading official documents, journalistic reporting and existing scholarly work on the topic. Second, I have conducted a form of member checking, *i.e.* “a process in which collected data is ‘played back’ to the informant to check for perceived accuracy and reactions” (Cho & Trent 2006, p.322). I did this through continuously discussing my understanding of the developments researched with my respondents. During the field work in 2012, certain respondents also read the work I had published based on my field work in 2011 (notably Jansson 2011; Jansson 2012) and provided useful comments.

Third, I have discussed drafts and published versions of my work with other observers, peers and seniors at seminars, conferences and in informal exchanges. My aim was to reach the moment where, as Checkel puts it, “my story was [...] plausible in [the eyes of] a rigorous but fair-minded reviewer” (2006, p.367). I have continuously doubted and re-evaluated my own analysis. Eventually, by the end of my last field work period, I felt that I had reached what Glaser and Strauss term ‘theoretical saturation’ – the moment when no new data seems to be emerging regarding the phenomenon researched. Glaser and Strauss note:

“As he sees similar instances over and over again, the researcher becomes empirically confident that a category is saturated. He goes out of his way to look for groups that stretch diversity of data as far as possible, just to make certain that saturation is based on the widest possible range of data on the category” (1967, p.61).

The validation strategies also served a second purpose, namely to meet the requirements of the critical approach. Following Guba and Lincoln (1994, p.110) and Cox’ remarks around the difference between problem-solving and critical theory, a critical approach requires that the researcher actively seeks to avoid reifying existing structures. A practical methodological strategy that the researcher can deploy to this effect is to engage the respondents in dialectical dialogue in order to “transform ignorance and misapprehensions” (Guba & Lincoln 1994, p.110). By means of the validation strategies, I was cautious of these dynamics to the greatest extent possible.

### **3. Being assigned roles in the field: a confessional tale**

Flick points out that a researcher working with qualitative methods cannot remain a neutral observer in the field. His words are worth quoting in full:

“In qualitative research, you as the researcher and your respondent and your communicative competencies are the main “instruments” of collecting data and of recognition. Because of this, you cannot adopt a neutral role in the field and in your contacts with the persons to be interviewed or observed. Rather you will have to take – or you will be allocated – certain roles and positions (sometimes vicariously and/or unwillingly). Which information in your research you will have access to and which you will remain debarred from depends essentially on the successful adoption of an appropriate role or position” (Flick 2009, p.106)

This dynamic of being assigned roles in the field emerged clearly during my fieldwork in 2012. Indeed, research is always “an intervention into a social system” (Wolff 2004 quoted in Flick 2009, 108). But during my early fieldwork in 2008, 2009 and 2011, I never penetrated very deeply into the social system I sought to research. At that stage I was still learning, both in terms of the Sicomines agreement and in terms of my own researcher skills. I generated novel and interesting insights, but I was still scratching the surface in terms of the power dynamic involved.

As I returned to the field in 2012 for my final field work period, the dynamics had changed. By then, I was well known to many of the respondents and I had a good understanding of the politics around the Sicomines agreement. As mentioned, I had by 2012 published several papers drawing on my earlier fieldwork. One paper in particular (Jansson 2011) had been circulated quite widely in Kinshasa. Moreover, by 2012, my own skills as a researcher were relatively developed and I had learned a great deal from engagement with peers and seniors around my published work. At this point I was therefore in a good position to pursue qualified answers to the questions that I still had, and my presence was now felt more clearly by the social system that I engaged with. This gave rise to new challenges. In the subsequent sections I reflect over them in a reflexive account of my field work experience.

The general idea of reflexive accounts in qualitative research is to reflect on how the positionality of the researcher impacts on the research process and the findings (Cook 2005). In auto-ethnographic narratives, or ‘confessional tales’, the researcher ‘outs’ her or himself, situating the knowledge generated by reflecting transparently over the relational aspects of field research, exploring the researcher’s effect on the researched and vice versa (Finlay 2002a, 2002b; Robertson 2002, 785).



This method is most commonly used by anthropologists. I did not use ethnographic methods as such in this research project, but since my investigative endeavours in the field were more successful than I expected or even understood, I came to encounter dilemmas akin to those commonly experienced by anthropologists.

The reason for including a reflexive account of my research process is twofold. First, telling my story serves a personal, cathartic purpose. My experience of researching the Sicomines agreement was more than a purely analytical endeavour. It has been what Hesse-Bieber and Leavy term a ‘knowledge-building process’ (2011, p.4) on many levels. By being open about what I experienced, I hope to contribute to the ability of young researchers conducting research on politicised topics to be better prepared than what I was for what they may encounter in the field.

Second, while reflexive accounts have been criticised for leading to researchers “spending too much time wading in the morass of [their] own positioning” (Patai 1994, p.64), my story reflects more than just my own idiosyncratic experience. It also provides an entry point to much-needed epistemological reflection about the politics of knowledge around ‘China in Africa’.

My ‘confessional tale’ discusses two different aspects of being assigned roles in the field. First, I discuss the relation between how I was perceived during my interviews and the insights I was able to gain. Second, I discuss how I unwittingly and unwillingly challenged Western donors’ and diplomats’ intersubjective ideas around ‘China in Africa’ and was assigned the role as ‘pro China’. Against the backdrop of the latter experience, I conclude the chapter by relating this dissertation to the politics of knowledge around ‘China in Africa’ more broadly.

### **3.1 Vulnerable elites: unexpected investigative successes of expert interviews**

As discussed in section three of this chapter, the main data gathering technique for this research project has been semi-structured so-called expert interviews, *i.e.* interviews where the respondent is considered to be an expert with a great deal of insight to convey in terms of the topic in hand (Burnham et al. 2004, pp.205–220). Through my doctoral course work, I had been made aware that even though ‘expert’ or ‘elite’ respondents are often influential, high-level stakeholders, power relations can also switch in favour of the researcher in such interviews (Smith 2006).

Indeed, as noted by Pile, “the structures of power between the interviewer and the interviewed are complex and unstable” (1991, p.464). As mentioned, during the interviews I conducted throughout 2008-2011 I was still learning both in terms of the Sicomines agreement and my own researcher skills, and my experience then was very much one of interviewing ‘up’. When I returned to the field in 2012 for my final field work period, the dynamics had changed, for reasons discussed above. Many respondents now perceived me as knowledgeable and found the exchanges with me interesting. Given my track record of keeping my word in terms of assuring anonymity for those respondents that requested it, certain respondents now also started to trust me with information that was not to be cited.

This last element was an unexpected source of stress. I realised that high-level respondents confided information to me which, if it was leaked, would get them into trouble. For a trained journalist, this would probably have been an everyday situation (Kezar 2003, p.397) but as a junior researcher I was at a loss. The research method classes I had taken both as an undergraduate and as a graduate student had all highlighted how difficult it can be to gain access (e.g. Flick 2009, pp.106–110). I did not have any tools at my disposal to help me deal with a situation where I had been so successful in my endeavours to gain access that I started discovering sensitive information, knowledge which put me in a situation of power vis-à-vis the respondents.

Certainly, the respondents in question had judged me correctly, they could trust me. I do not cite any of the confidential information they disclosed. But I still had to handle the experience of having gained access to it, and this was a source of stress for me during the field work. Afterwards, I reflected over why this situation had occurred. Why did these respondents confide sensitive information to me? The reason, I believe, was that the respondents assigned certain roles and functions to me as a result of four factors: my personal approach, my naivety, my status as an outsider, and my gender.

### **3.1.1 ‘Being myself’ in the interaction with the respondents**

A researcher can use a variety of personal approaches when entering and relating to the field. Certain researchers go “beyond informed consent [...] and argue that their research must be conducted in a covert manner to obtain the information they need to understand certain social phenomena” (Hesse-Biber & Leavy 2011, p.72). Indeed, there are different degrees of what Hesse-Bieber and Leavy term “deception in research” (2011, p.73). Even when researchers are open with the fact that they are carrying out research, there will likely always be some element of deception in the relation between the researcher and the researched, as noted by Hesse-Biber and Leavy:

“[P]ersonal engagement with research subjects on an interpersonal level can lead to unanticipated and unintended deception that can actually raise even more the possibility of undue power, influence, and authority in the research process” (2011, p.75).

This latter point applies very well to my field work experience. My personal approach in the interaction with the respondents was to ‘be myself’. I was open with who I was and what I was doing. Most of the time, I related in quite a straightforward and personal way to the respondents, discussing my experience of living in Kinshasa and of doing research. As mentioned above, I also discussed my tentative findings with certain respondents to obtain their take on my analysis. Moreover, I distinguished between informal conversations and interviews, in the sense that I was clear about what was ‘on’ and what was ‘off’ the record. All in all, in hindsight, I believe that this created an atmosphere where most respondents felt that I was reliable, and some even trusted me with confidential information.

### **3.1.2 Naivety as an unintended research tool**

My field research was carried out before former US National Security Agency employee Edward Snowden revealed details about US’ monitoring of internet and cell phone communication worldwide. While Snowden’s ‘revelations’ certainly did not surprise anyone working in security, foreign policy or diplomacy circles, it did open the eyes of the broader public including myself to what intelligence work is and what it can do. Embarrassed, I had to realise that my cell phone and perhaps also my movements had probably been monitored by the Congolese security services without me knowing.

Moreover, as described above, I had during my fieldwork not yet realised the extent to which the Sicomines agreement was an explosive political topic in the DRC. I believe that this naivety shone through in my interactions with the respondents, made me seem rather harmless and was a contributing factor in terms of why certain respondents chose to trust me with sensitive information.

### **3.1.3 The researcher’s role as an outsider in a social setting**

The Sicomines agreement is a politicised matter in the DRC for a variety of reasons (*vide* section 3.2 of this chapter). I did not grasp this fully until after my last work period in 2012. The reason why this realisation evaded me for so long was to a large extent my naivety, but also the fact that I was only a

temporary resident in Kinshasa. By contrast, all the stakeholders I interviewed had a relation to the Sicomines agreement in one way or the other. Most of them lived and worked in the DRC, or had done so, and as such they were certainly aware of the political tension surrounding the subject matter.

The fact that I was perceived as a reliable yet harmless and naïve outsider, who was going to leave Kinshasa shortly, is probably one of the reasons why certain respondents trusted me with sensitive information. I also believe that in such a politically tense environment, certain stakeholders may appreciate and experience relief at the opportunity to exchange with a ‘neutral’ person. Indeed, vulnerable respondents such as abused women can experience participation in a research project as therapeutic (e.g. Chatzifotiou 2000). Similar dynamics may to some extent have been at play in the interactions between me and some of my respondents.

#### **3.1.4 “Oh, so you’re interviewing men.” Gender dynamics in elite interviews**

“Oh”, gender scholar Signe Arnfred commented in 2010 when I explained to her what my research was about, “so you’re interviewing men”. I had not reflected about it before, but of course, she was right. The context I engaged with in this research project is deeply gendered. Ever since I started conducting research in the DRC in 2008, the majority of my respondents have been men. With a few exceptions, the only female employees in the Chinese construction and mining companies I engaged with were the interpreters, who were often young and recently graduated from language studies at universities in China. The remainder of staff, and particularly the managers and company heads that I interviewed, were men who had been posted to DRC and whose families stayed behind in China.

My Congolese respondents, with the exception of one civil society actor, were all men. Development practitioner circles are generally less male-dominated, but with the exception of three women, the respondents drawn from this group were all men, too. This does add a particular dimension to the research process, but it is a highly subtle phenomenon. Apart from recurring comments like ‘it was nice to talk to such a beautiful woman’ it is difficult to pin down the exact implications of this gender dynamic.

Counterfactual evidence does not exist, since no researcher of a different gender, age or ethnic origin than mine has attempted to conduct a similar research project. But I do believe that my appearance as a young Scandinavian woman, coupled with being perceived as a reliable, harmless and naïve outsider, worked to my advantage and impacted positively on my ability to access certain situations, some

respondents and certain types of information. At the same time, I am fairly certain that there were times when the same set of characteristics barred me from gaining access or obtaining certain kinds of information.

### **3.2 Poking my nose into a wasp's nest: researching the politicised Sicomines agreement**

In March 2013, the journal *Review of African Political Economy* published a brief article of mine where I provided an update over recent developments in the implementation of the Sicomines agreement (Jansson 2013). The article was published in a special issue on the DRC. Apart from having my own findings published, my intention in writing the piece was to bring the Sicomines agreement back into the discussion around contemporary developments in the DRC's political economy.

The point I made in the article was an interesting, yet, I thought, fairly mainstream argument in the context of research on Chinese foreign policy and the Chinese presence in Africa. What I wrote was in essence that China Exim Bank had pulled out of the negotiations for a financing arrangement for Sicomines in early 2012, but that negotiations were still underway and that “this probably reflect[ed] prudence on the part of the Chinese finance providers rather than an imminent collapse of the whole agreement” (Jansson 2013, p.157).

Apparently, however, this was not a mainstream argument. It was breaking news. The article rapidly became one of *Review of African Political Economy*'s most read articles ever (Review of African Political Economy 2013) and it was quoted in several high-profile analytical fora (Africa-Asia Confidential 2013; Brautigam 2013). It also stirred up a domestic political buzz in the DRC after a Congolese journalist picked it up and misquoted it, stating in a widely read article that the Sicomines agreement was *fini* (finished). “*Exim Bank se retire*”, the article stated, “*même la Chin[e] n’a plus confiance en Kabila*” (Exim Bank pulls out - not even China has confidence in Kabila anymore”) (Mulan 2013).

As discussed in more depth in chapter seven of this dissertation, the Sicomines agreement has been central to President Kabila's political prestige ever since it was signed in 2007. By the time my article was published, Kabila was more pressed than ever to show deliverables to the electorate – his authority had been severely undermined by the rebel group M23's takeover of the city of Goma in Eastern DRC in November 2012 (Kavanagh 2012). My article, as interpreted by the Congolese journalist, therefore became a timely weapon which the political opposition could use to criticise the Kabila regime.

International media picked up on the story as well (Long 2013; Mining News 2013). President Kabila's advisor Moïse Ekanga, who was my respondent and the one that had confirmed these developments in the Sicomines negotiations to me in the first place, went out publicly to deny the Congolese journalist's version of the story (Radio Okapi 2013), and eventually the story died out.

This intermezzo, which occurred a few months after I had left the field, made me conscious of the extent to which my research topic, and thus my research and ultimately myself, was politicised. I had always known that the Sicomines agreement was a subject of interest in domestic Congolese politics, as well as among development finance actors, corporate stakeholders and development practitioners worldwide. Yet, I had not realised that the topic was this explosive.

I can with the benefit of hindsight see that my naivety in this regard had probably been an important asset as I investigated the intricacies of the Sicomines agreement. It was not until after the field work and the attention then stirred up by my article that I understood that my persistent and detailed investigations and careful network building, and the fact that very few researchers and journalists carry out in-depth investigations in the DRC, had brought me very close to something a sensitive topic that was of interest to people worldwide, but which the circle around President Kabila wanted to keep secret.

### **3.2.1 Unwittingly challenging Western donors' and diplomats' entrenched perceptions of 'China in Africa'**

However, the Sicomines agreement is not just a sensitive topic in domestic Congolese politics. The fact that I knew so much about the Sicomines agreement also made many Western donor representatives and diplomats suspicious. Many of these stakeholders seemed to assume that there was something inherently secretive about the Chinese activities in the DRC. A senior Western aid official told me in an interview that it would be interesting to know how much China's loans to the DRC are actually worth.<sup>16</sup> I informed the respondent that I had presented all that information in a book chapter published several months back (Jansson 2012).

The respondent then asked me where I had obtained that information. Surprised, I had to explain that I had carried out in-depth interviews over several years with representatives for the Chinese Ministry of Foreign Affairs and the Chinese Ministry of Commerce, and that these respondents by no means had

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<sup>16</sup> Author's interview, 11.10.2012, Kinshasa. (Interview #1, refer to Annex I)

asked me to keep the information secret. This was the first sign that my work was not primarily perceived as rigorous academic analysis by this group of stakeholders, but was assigned a role in a political game.

As part of an ambition to communicate my findings and ‘give something back to the field’, I presented parts of the argument I develop in chapter five of this dissertation at a public presentation in Kinshasa on the 30<sup>th</sup> October 2012. Specifically, I argued that there is a great deal of policy fragmentation in Beijing and that far from all Chinese activities in the DRC and elsewhere in Africa are directly led by the Chinese government. The presentation raised interest and I subsequently gave the talk at a few informal briefings with Western diplomats and aid workers.

I could sense that my argument was not well received by the latter stakeholders, but I did not understand why since this argument is amply substantiated in existing scholarly work on Chinese foreign policy making and the Chinese presence in Africa. When it came to my attention that rumours were spreading that I was ‘pro China’ and that a talk I was going to give at the French-Congolese Chamber of Commerce on the same topic was cancelled on the grounds that it was ‘too political’, I realised that there was something about me and my work that made Western stakeholders nervous.

In relation to this, it needs to be mentioned that while I do seek to counter the deeply entrenched perception of ‘China’ as a monolith with a shrewd and clearly formulated agenda for its ventures into ‘Africa’, my driving force for doing so is academic rather than normative. I do not have an agenda to defend China. Rather, I am driven by a conviction that it is problematic that the ‘shady’ activities of Western companies, governments and organisations in African countries are overlooked in the lion’s share of policy discussions and journalistic reporting on ‘China in Africa’, thus skewing the analysis (for examples of this practice, refer for instance to Global Witness 2011 and Nossiter 2013).

I also find it problematic that the different facets of the Chinese activities in Africa, which have quite different drivers and characteristics (c.f. Jansson 2012, 177), are often lumped together as one and the same. It is my conviction that proper analysis of the presence of external actors in African countries should be based on data, not on perception, and that it should incorporate the context and not single out one external actor.

However, among the Western donors and diplomats that I encountered during my fieldwork in the DRC, the perception of ‘China’ as a monolith with a shrewd and clearly formulated agenda for its ventures into ‘Africa’ was so deeply entrenched that it had become an ontological reality to these

stakeholders, even though a large body of scholarly research shows that it is misleading. The perception had become what Adichie (2009) terms a 'single story' of the Chinese presence in Africa. Even though certain scholars, most prominently Deborah Brautigam, do a great deal of ambitious engagement work to put this point across, the perceptions of most Western donors and diplomats have never been challenged. Thus, the tension around me and my work arose because I had unwittingly touched a sensitive nerve and challenged a deeply entrenched intersubjective idea of 'China in Africa'.

This was an incredibly stressful experience for me, but I was in the middle of an intense field work period and did not have time, space or sufficient peace of mind to really understand what this was all about, or even to notice how it affected me. But my body picked up the tension from this, as well as from struggling to deal with the experience of uncovering sensitive, confidential information, as discussed above. I suffered increasingly from insomnia, and by the end of the field work period, I was exhausted.

This was not the usual fatigue that PhD students experience after having conducted field work. I collapsed shortly after my return from the field with a diagnosed case of exhaustion and suffered for several months from symptoms resembling those of post-traumatic stress disorder. The embodied experience of researching the Sicomines agreement turned out to be one of the most difficult periods of my life. I was on full time sick leave for three months and it took me another five months until I was back at work full time. Only once I was fully rehabilitated could I see that being assigned a role in political games that I hardly understood, and even less so had a stake in, had terrified me on a subconscious level.

The controversy around my article in *Review of African Political Economy*, which occurred just as I took up part time work again after three months of sick leave, was the first eye opener in terms of starting to grasp what I had actually gone through. This is of course my own, personal story. But it reflects more than just my idiosyncratic experience. It also provides an entry point to sorely needed epistemological reflection about the politics of knowledge around 'China in Africa'.

#### **4. The politics of knowledge around 'China in Africa'**

This section relates this dissertation to the politics of knowledge around 'China in Africa' more broadly. I shed light on the subject matter through a minor autobiographical study, using my own research career as a starting point for reflection on the 'China in Africa' research field.



The actors that showed the most suspicion in terms of me and my research during my 2012 fieldwork in the DRC were certain Western donors and diplomats. This is paradoxical, or even ironic, given that the reason why this PhD analyses an element of the Chinese presence in Africa in the first place is that money from Western donors and American philanthropists encouraged my career to take this path after I graduated in 2008.

In 2007, when I was still a student at the Department of Political Science at Stellenbosch University in South Africa, I was hired as a research assistant at that University's Centre for Chinese Studies (CCS). As discussed in section 1.4.1 above, the CCS was established in 2004 under a high-level diplomatic agreement between South Africa and China, and was also conferred the status of a Confucius Institute (Department of Foreign Affairs 2004; Centre for Chinese Studies 2013). The institute was thus clearly part of the Chinese government's ambition to promote the knowledge of China in South Africa. However, the substantive field research undertaken by the CCS was financed by Western donors and American philanthropists.

The first major report published by the CCS in 2006 was commissioned by Britain's Department for International Development (Corkin & Burke 2006). Subsequently, when I joined the CCS in 2007, two major projects were underway. They were financed respectively by the Rockefeller Foundation, a large American philanthropic actor (Rockefeller Foundation 2013) (Burke et al. 2007), and the Department for International Development (Davies et al. 2008).

Upon my graduation in 2008, I was promoted and worked as the lead researcher for grey literature-type projects funded by Revenue Watch Institute and the Extractive Industries Transparency Initiative (Burke et al. 2009; Jansson, Burke & Jiang 2009); the Rockefeller Foundation (Centre for Chinese Studies 2010); and WWF (Jansson 2009b; Jansson 2009a; Jansson, Burke & Hon 2009; Jansson & Kiala 2009). These institutions are funded as follows. Revenue Watch Institute's founding donors were George Soros' Open Society Foundations, the William and Flora Hewlett Foundation and the Norwegian Oil for Development Fund (Revenue Watch Institute 2013). The Extractive Industries Transparency Initiative is funded by supporting countries, international development agencies, and oil, gas and mining investors and companies (Extractive Industries Transparency Initiative 2013). The WWF is funded by individual contributions, in-kind revenues, government grants, foundations and corporations (WWF 2013).

Throughout my 2.5 years at the CCS, only one of my endeavours was financed by a Chinese source, namely a two-week stay at the Chinese Academy of Social Sciences in Beijing in November 2008. It was funded through an academic exchange programme whereby the CCS would host and finance a researcher from the Chinese Academy of Social Sciences, and the latter institution would do the same for a CCS researcher.

Thus, most of the work that I conducted at the CCS was financed by Western donors and American philanthropists. The common denominator for the research projects commissioned by these actors was that they all sought a response to the questions: 'What are the Chinese doing in Africa?' and 'How shall we as Western donors/philanthropists/civil society actors engage/secure buy-in with them?' In essence, the Western donors and diplomats I engaged with during my field work in Kinshasa in 2012 asked similar questions. However, as shown above, the academically and empirically grounded answers I provided challenged the preconceived notions held by many of them around 'China in Africa', and my input was more or less rejected. Thus, to put it in polemic terms, while it is common in the donor circuit to want to find out more about 'China in Africa', listening to and learning from actual research findings concerning the subject matter is less popular.

The funding structure of the projects undertaken by the CCS during my time there is interesting also from a scholarly point of view, because such funding has ripple effects for the kind of academic literature that is subsequently published. Again, my own research career serves as an autobiographical illustration of this point. When I left the CCS to pursue my PhD I had, largely on the back of Western aid funds and American philanthropic money, conducted field work on the Chinese presence in Africa in the DRC, Gabon and Uganda, and completed a shorter research visit to Cameroon. I had developed networks in this research field and had tangible empirical experience of what the Chinese presence in African countries looked like. Pursuing my PhD in the same research area seemed to be the most reasonable thing to do.

Had Western donors and American philanthropists not been interested in finding out what 'China' is doing in 'Africa', my early career years would probably have taken a different turn and my PhD would likely have treated a different topic. The upsurge in academic literature published on the Chinese presence in Africa from 2006 onwards can, I believe, largely be understood through the same lens. Much of this literature has been produced in research projects funded by the same or similar donors as those who funded projects at the CCS.

Indeed, I cannot pin down exactly to what extent the CCS and its funding structure is representative of institutions conducting research on ‘China in Africa’. Therefore, the idea with this discussion is not to claim representativity, but to provide a useful starting point for reflection over the dynamics at play. This being said, I do believe that the CCS is a relevant institution to explore in this context since it is identified in Carayannis and Olin’s preliminary mapping of China-Africa knowledge networks as one of the five key African academic institutions and research centres with China-Africa programs (2012, pp.28–31).

The bottom line is that to me, the ‘China in Africa’ research field is to a large extent a social construction. The Chinese presence in Africa is indeed real and it has been growing rapidly since the turn of the 21<sup>st</sup> century. But this presence is not significant in itself to motivate the virtual explosion of grey literature and scholarly work published on the subject matter since 2006. Instead, I argue that the ‘China in Africa’ research field has largely come about as a result of nervousness among Western donors, policy makers and charity actors. They were worried about the consequences of ‘China’, an actor often perceived as a threat which is pressuring the US dollar and taking North American and European jobs (Broomfield 2003; Liu & Trefler 2008; Shenkar 2005; Yee & Storey 2004), encountering ‘Africa’, the epitome of pity and suffering in Western imagery (Cole 2012; Richey & Ponte 2011; Win 2004). For reasons of intellectual honesty, I prefer to be open about the fact that this is, for better or for worse, the ideational context from which this PhD project springs.

## Chapter 4: The IMF's power to set norms in terms of public debt management

This chapter devotes attention to the following working question:

*WQ 1: What constitutes the IMF's power to set norms in terms of public debt management?*

### 1. The IMF as a 'mechanism of hegemony'

As noted in the analytical framework, I conceive of IOs as 'mechanisms of hegemony', a conceptualisation which rests on two claims:

- 1) The power of IOs is rooted in the material capabilities of both the hegemonic state and the other states with large stakes in the IO. Those states retain influence over the IOs, either by formal voting power weighted in their favour, or through informal channels of influence. Thus, the actions of the IO largely follow the agenda of its most influential stakeholders.
- 2) IOs have both norm-enforcing and normative power, promote the norms of the hegemonic order, fabricate consent with this agenda and perform *transformismo* in order to co-opt counter-hegemonic ideas. IOs' norm-enforcing and normative power are both rooted in the material capabilities of its most influential stakeholders.

My conceptualisation of the IMF as a mechanism of hegemony is inspired by the work of Cox and Jacobson (1973) and Cox (1980). Their argument is that the IMF is dominated by the coalition of Western countries that has the largest share of votes on its board, contributes with a large portion of the organisation's budget and has the greatest say in terms of determining the organisation's agenda. This coalition of Western countries includes the United Kingdom and France, and it is dominated by the United States, the IMF's 'principal paymaster' (Strange 2011, p.551).

The United States also has veto power in the IMF, because it holds 16.74 percent of the voting rights in the organisation and major decisions have to be taken with an 85 percent majority (IMF 2014c; Mayeda 2015). Kahler (1990) concurs that the United States has had an influential position in the IMF since its inception, but adds that the country's influence has waxed and waned and that it has at times had to

build coalitions with the other major industrial countries and bargain for influence on important issues such as conditionality. The argument that the IMF's largest shareholders determine its actions also recurs in the work of Barro and Lee (2005), Dreher and Jensen (2007), Stone (2002; 2004) and Thacker (1999).

I understand the IMF in Coxian terms as one of the institutions of the *Pax Americana*, the US-led hegemony which was established after the Second World War (Cox 1981; Gilpin 1981; Louw 2010). As I see it, even though 40 years have passed since *Pax Americana* was a consolidated hegemony, it retains compulsory power at its fringes, as evidenced for instance by the IMF's powerful position in African countries, discussed in chapter one of this dissertation.

In my conceptualisation of the IMF, the organisation has the power to set norms and it exercises this power partly by deploying its epistemic authority, *i.e.* the power to make things known and thus shape how states and non-state actors understand the world. In this respect, my observations concur with constructivist scholarship on the IMF and its role as a norm-setter such as that by Barnett and Finnemore (2004) and Chwieroth (2010). However, while these scholars argue that it is the staff and their ideas and agency rather than the influential member states that determine the actions of the IMF, my empirical evidence supports a different conclusion, namely that during the Sicomines controversy, the IMF deployed its epistemic authority to advance the agenda of the most influential countries on the organisation's board, whose material capabilities in turn underpinned the IMF's epistemic authority.

Copelovitch (2010) argues that both member states and staff can have power over the IMF's lending decisions. Drawing on principal-agent theory, Copelovitch argues that the autonomy and influence of IMF staff is weaker when the organisation's most influential shareholders – the United States, United Kingdom, Germany, Japan and France – have strong and unanimous geopolitical and financial interests in a borrowing country. In cases where the shareholders' interests are characterised by heterogeneity and less intensity, Copelovitch argues, the IMF's staff enjoy greater autonomy.

Copelovitch's claim supports the argument I developed in the theoretical framework drawing on Oestreich (2007), namely that the 'mechanisms of hegemony' have agency and can advance normative agendas, but that there are limits to this agency in the sense that IOs cannot advance such agendas if this contravenes the strong will of their most influential member states. As we shall see, in the empirical case studied, the political agenda of the IMF's most influential member states was to implement the post-conflict reconstruction project in the DRC, and the IMF's public debt norm was an important part

of that project. The IMF's public debt norm was thus strong because it linked up with the agenda of the organisation's most influential member states.

Within the IMF, a variety of stakeholders are involved in the policy formulation process. Therefore, the organisation cannot be understood as a unitary actor. However, when IMF policy has been formulated and the staff implements it in the organisation's member countries, the organisation does operate more or less as a unitary actor. Given that this dissertation's focus is the IMF's operations in the DRC, I will therefore write about 'the IMF' as an individual subject. My thinking in this regard is inspired by Bird (1996), who notes:

“IMF policies and decisions represent the outcome of a complex negotiating process involving various elements of the Fund's management and executive board. The executive board represents different points of view reflecting different political interests. The IMF is clearly not a unified actor. Having said this, however, and for an institution of its size and complexity, reasonably well-defined policies do emerge, especially in the context of its dealings with developing countries [...]” (1996, p.478).

## **1.1 IMF conditionality**

Public debt management forms part of the IMF's conditionalities. Prior to embarking upon the analysis of the IMF's power to set norms in terms of public debt management specifically, I therefore introduce the IMF's use of conditionality more broadly. When the IMF was established, it did not practice conditionality. Its original mandate was to support member countries facing a balance of payments disequilibrium by making the Fund's resources temporarily available to them. The organisation was also tasked with promoting international monetary cooperation, facilitating international trade and promoting exchange stability. (IMF 2011a, p.2)

It was decided that in seeking to achieve these goals, the IMF would respect the member countries' right to self-determination. An unequivocal commitment to this effect was laid down in the organisation's Articles of Agreement, which stated that in its work, the IMF was to “respect the domestic social and political policies of members” (IMF 2011a, p.7). Therefore, in the early years of the IMF's existence, a member state's access to the Fund's resources was not linked to the country's policy performance. (IMF 2011a, pp.6–7; Buira 2003; Gould 2006)

However, after only eight years, this changed. In 1952, the IMF's Executive Board decided that a member country's access to Fund resources would be linked to its policy performance. This change came about mainly as a result of demands from the United States, the only country that in the wake of World War II could bring in the resources needed to capitalise the IMF's work. In order for the United States to make the necessary resources available to the IMF, the organisation had to ensure that the loans extended to member countries would be recovered.

In order to meet this demand from the United States, the IMF started to attach conditions to the loans it extended to member countries. This change in practice was subsequently incorporated into the IMF's Articles of Agreement in 1969 (Article V, section 3 (a), see IMF 2011a, 8). (Buirra 2003, pp.vii, 3, 20–21) Thus, the United States played a decisive role in terms of making the organisation start to practice conditionality in relation to borrowing member countries. This was an early indication that the actions of the IMF hinges on the agenda of the hegemonic state which holds veto power in the organisation and provides it with a significant share of its resources.

Requiring that borrowing countries implement certain conditions entails an act of power, and in the case of the IMF, I argue that this has been a coercive form of power ever since conditionality was introduced in 1952. Borrowing countries have not internalised the conditionalities as their own will, as would have been the case if a consensual form of power had been at play. As shown by Woods (2006), the implementation of conditionality has not been a top-down process only, but one shaped in political interaction with the leaderships of borrowing countries. Over the years, borrowing countries have resisted the IMF's conditionalities and sometimes also succeeded in evading them (e.g. Van de Walle 2001), but they have mostly been forced to comply, given that the IMF's position as a gatekeeper and a lender of last resort provides the organisation's power with a solid material basis.

Until the 1980s, the conditions attached to IMF loans only served to safeguard the revolving nature of the organisation's resources, *i.e.* to ensure that the loans extended would be reimbursed so that support could in turn be provided to other member countries in need. Those conditions mainly concerned stabilisation policies such as monetary and fiscal policy, and public debt management formed part of these requirements. The IMF's debt limits framework, which embodies the organisation's public debt norm, has been in place since the 1960s (IMF 2015). I discuss the debt limits framework in section two below.

The first oil price shock in 1973 led to a price boom for a number of African primary exports, and the revenues made available were used by many African governments to increase public expenditures. As

prices dropped again, governments sought recourse to external borrowing to compensate for falling revenues. High levels of indebtedness ensued, and African countries were therefore ill-prepared to absorb the second oil price shock of 1979-1980. As the oil price was kept high, prices of other commodities were pushed down, causing export revenue decline and growing debt burdens in many developing countries. In addition, as noted by Fraser, “the raw materials’ intensity of industrial production had been in decline through the 1970s, reducing demand for poor-country goods” (2009, pp.56–57). Altogether, these developments caused large debt overhangs for many African countries. (Fraser 2009; Krumm 1985; Yates 1996)

From the 1980s onwards, as the IMF sought to respond to the economic crisis that ensued from the debt crisis in many countries, it started to engage in a more profound way in the societies and markets of member countries in need of support. The conditions formulated during the 1980s were broader and deeper than those previously imposed. They also catered for the predominant ideological current of the time, neoliberalism, and its core aim of minimising the state’s involvement in societies and markets. These conditions were mainly imposed by means of the Structural Adjustment Facility established in 1986, and included requirements such as the elimination of subsidies and the privatisation of public enterprises. The so-called ‘Berg report’ (Berg 1981), a World Bank-published paper which advocated export-oriented policies and the removal of subsidies, is often seen as a pivotal source of ideological inspiration for the IFIs’ engagement with African countries during the 1980s. (Best 2007; Buira 2003)

During the structural adjustment years, the IMF’s power in African countries had a strong material basis given that these countries were going through an economic crisis and needed the support that the IMF could provide. Even though the leaderships of some African countries succeeded in evading the IMF’s conditionalities (Van de Walle 2001), the organisation was largely successful in coercing these countries into implementing structural adjustment measures. Thus, the debt crisis strengthened the IMF’s power vis-à-vis African countries (Abrahamsen 1997; 2000; Taylor 2004).

After the end of the Cold War, as it gradually became apparent that structural adjustment had not been successful in furthering economic growth and reducing poverty, the ideological paradigm of the development community shifted to that of ‘good governance’. As a result, by the mid-1990s, importance was attributed to the state and to the role it plays in improving governance, furthering transparency and reducing corruption. The character of IMF conditionality shifted correspondingly. The conditions now superimposed by the organisation on its regular macroeconomic conditions instead came to focus on governance-related issues such as rule of law and the role played by civil society. (Best 2007; Buira 2003)



The number of conditions imposed by the IMF by means of coercive power continued to increase throughout the 1990s and peaked during the 1997-1998 Asian financial crisis when countries in need of IMF support, such as Indonesia and South Korea, had to fulfil an unprecedented number of conditions. Even the IMF itself has later acknowledged that the conditions it posed during the Asian crisis were overly extensive and did not cater sufficiently for the social ramifications of adjustment. (Best 2007; Buira 2003; IMF 2013a, p.2)

Throughout these two decades of expanding conditionality, the IMF was subject to a great deal of criticism, primarily for coercing countries into complying with overly intrusive conditions which caused social distress in countries going through adjustment. Critics also argued that the IMF compromised the promotion of growth, which is one of the purposes laid down in the organisation's Articles of Agreement (Article I (ii), see IMF 2011a, p.2), in favour of the stabilisation of member countries' balance of payment and the reimbursement of Fund resources. (Bird 1996; Buira 2003; Mkandawire & Soludo 1998)

As noted in chapter one of this dissertation, the paramount *leitmotif* for contemporary bi- and multilateral Western development assistance has ever since the turn of the 21<sup>st</sup> century been that of 'ownership'. This became a central notion also for the IMF when it revised its conditionality guidelines in 2002. Embracing the idea of ownership was the organisation's way of catering for the critique directed against it. The IMF defines ownership as follows:

“[A] commitment to a program of policies, by country officials who have the responsibility to formulate and carry out those policies, based on their understanding that the program is achievable and is in the country's best interest” (IMF 2006d, p.1).

However, just like they have had to do since 1952, member countries wishing to lend from the Fund also have to fulfil conditions in the ownership era (IMF 2014b). There is an obvious tension between the use of conditionality on the one hand and the rhetorical commitment to ownership on the other. With regards to this, the IMF notes:

“Conditionality should complement, not substitute for, national ownership; if well designed and established through a mutually acceptable collaborative process, it can promote and strengthen ownership, in particular by demonstrating the authorities' commitment to a course of action” (IMF 2006d, p.1).

Thus, today, 'ownership', and not conditionality, is supposed to be the defining characteristic of the IMF's relations to its member countries. However, as pointed out for instance by Anders (2005), it is rather the reverse that is true: the contemporary relations between the IMF and member countries in need of support remain characterised by coercion and conditionality, but the conditions are now framed as the policy intentions of the member country seeking support. Anders notes:

"Under the current state of international politics, the World Bank/IMF prescriptions are only acceptable and legitimate when they are presented as technical advice from specialised agencies with a limited mandate in relation to a sovereign state. World Bank and IMF experts represent conditionality as the logical consequence of ownership" (2005, p.47)

In theoretical terms, the power exercised by the IMF in the ownership era remains largely coercive, but it also has consensual elements in the sense that the organisation uses its epistemic authority to make its conditionalities gain sway. This epistemic authority is deployed through what I term knowledge manipulation. Specifically, the IMF words its policy documents such that in practice, it is allowed to be the actor that formulates the borrowing country's policy goals.

A country that wishes to enter into a programme with the IMF has to submit a so-called Letter of Intent to that organisation. The Letter is signed by a high ranking decision maker from the member country, such as the Prime Minister or the President, and complemented by a Memorandum of Economic and Financial Policies and a Technical Memorandum of Understanding. These three documents lay down the policies that a member country intends to undertake as it enters into an IMF programme. The IMF notes:

"Program documents, including Letters of Intent (LOIs) and Memoranda of Economic and Financial Policies (MEFPs), are documents of the authorities, and will reflect the authorities' policy goals and strategies" (2006d, p.2).

At the same time, the IMF notes that the policy measures that a country agrees to undertake equal loan conditions:

"When a country borrows from the IMF, its government agrees to adjust its economic policies to overcome the problems that led it to seek financial aid from the international community. *These*

*loan conditions* also serve to ensure that the country will be able to repay the Fund so that the resources can be made available to other members in need” (IMF 2014b, emphasis added).

In addition, the IMF notes that “the authorities might have limited capacity *or inclination* to draft program documents” (2010c, p.2, emphasis added). IMF staff may therefore formulate the requisite policy documents, as long as the document accommodates the preferences of the member country's authorities:

“There is no requirement that country authorities actually draft the Letter of Intent (LOI) and Memorandum of Economic and Financial Policy (MEFP), but staff should be responsive to the authorities' desired role in the drafting of these documents” (IMF 2010c, p.2).

The Letter of Intent is not the only policy document that is drafted in a donor-driven process in the ownership era. The Poverty Reduction Strategy Papers and the Reform Action Plans that African countries in need of support have to submit to the IMF and the World Bank are other examples of documents that are supposed to lay down a member country's policy intentions, but that are more or less drafted by donor representatives or consultants. (Fraser 2005; Whitfield & Fraser 2009; Anders 2005) In sum, the IMF coerces African countries into fulfilling loan conditions also in the ownership era, but by means of knowledge manipulation, these conditions are framed as the member country's own policy intentions.

## **2. The IMF's public debt norm**

Among the IMF's conditionalities, this dissertation focuses specifically on the organisation's public debt norm. As noted, I define an international norm in Finnemore and Sikkink's terms as one which “set[s] standards for the appropriate behavior of states” (1998, p.893). I conceive of the IMF's debt limits framework as an international norm because it sets standards in terms of public debt management that states seeking to benefit from IMF support need to adhere to. In this dissertation, I therefore use the terms ‘the IMF's public debt norm’ and ‘the IMF's debt limits framework’ synonymously. I conceive of the IMF's public debt norm as one of the ideational components of the *Pax Americana*, and I distinguish it from that hegemony's collective image, which is neoliberalism.

The debt limits framework has been in place since the 1960s (IMF 2015). As we shall see in chapter seven of this dissertation, it was revised in December 2009, a development which this dissertation

understands as a result of China's challenge to that norm. Here, I introduce the norm as it was structured prior to the 2009 revisions.<sup>17</sup>

The IMF's debt limit requirements are framed in terms of concessionality. The level of concessionality is established through a calculation of each loan's grant element. The IMF defines the grant element as "the difference between the loan's nominal value (face value) and the sum of the discounted future debt-service payments to be made by the borrower (present value), expressed as a percentage of the loan's face value" (IMF 2013b). In other words, the grant element is the difference between the cost for a similar loan at market interest rates (more specifically currency-specific 'commercial interest reference rates', CIRR) and a loan at discounted interest rates (*ibid*).<sup>18</sup>

The interest rate, the grace period and the total repayment period are key variables for the calculation of the grant element. The lower the interest rate and the longer the grace period and total repayment period, the higher the grant element. The IMF defines a loan as concessional if the grant element is at least 35 percent. Loans with a grant element below 35 percent are defined as non-concessional, *i.e.* provided on commercial terms. More specifically, in the debt limits framework applied by the IMF before December 1<sup>st</sup>, 2009, the IMF's requirements for how low-income countries should manage their public debt read as follows:

"[C]ontracting of nonconcessional debt, *i.e.*, debt with a grant element of less than 35 percent, was prohibited; while contracting of concessional debt, *i.e.* debt with a grant element of at least 35 percent, was not subject to any limit. In countries with higher debt vulnerabilities, the concessionality threshold was sometimes raised above 35 percent (and as high as 100 percent). In countries with lower debt vulnerabilities, exceptions to the prohibition on nonconcessional borrowing were granted on a case-by-case basis, typically to finance large-scale infrastructure projects" (IMF 2013b).

I argue that there are three main reasons why the IMF has the power to set norms in terms of public debt management in African countries. The first is that the organisation acts as a lender of last resort and provides concessional loans to countries that do not have access to other forms of financing. The second is the 'catalytic effect', *i.e.* that the inflow of other forms of finance may hinge on the IMF's

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<sup>17</sup> The IMF's debt limits framework was revised yet again in 2014 (IMF 2014f). However, this dissertation's empirical analysis only stretches until 2013 and I therefore do not explore those revisions here.

<sup>18</sup> In 2013, the IMF replaced the CIRR with "a new unified discount rate of 5 percent per annum" in its grant element calculations (IMF 2013b). However, this dissertation studies how the IMF applied its debt limits framework during 2007-2009. During this period, the organisation's grant element calculations were still based on the CIRR.

assessments. Specifically, many of the programs of bi- and multilateral donors rely on its assessment of a country's commitment to reform or of its macroeconomic performance as conditions precedent to decisions on disbursement of loans or grants. The IMF's assessments may also matter for the decisions of lenders from private capital markets. (Evans 1999; Harrison 2010; Whitfield 2009; Bird 1996; Williams 2002; Buira 2003)

The third reason why the IMF has the power to set norms in terms of public debt management in African countries is that it is a central requirement within the HIPC debt relief process to adhere to the IMF's public debt norm. Namely, in order to benefit from full and irrevocable debt relief, a country must adopt and implement a Poverty Reduction Strategy Paper, implement certain key reforms and fulfil the conditions stipulated in the country's IMF programme. The latter includes provisions for public debt management and a commitment to share information on new public debt contracted. (IMF 2013c, p.2) The HIPC debt relief process is central to this dissertation's case study of the IMF's power to set norms in the DRC, and an introduction of that process is therefore warranted.

## **2.1 The IMF's public debt norm and the HIPC debt relief process**

Advocacy efforts aimed at bringing about a debt relief policy for heavily indebted poor countries were initiated by the United Kingdom and Sweden in the 1980s. However, at this point, the advocacy efforts did not gain traction because the debt crisis was perceived as manageable by Western creditors, who found that the debtor countries had a liquidity problem but were not insolvent. It was not until the early 1990s when the US administration and a broad coalition of NGOs started to champion debt relief that the British and Swedish efforts to persuade the members of the Paris Club to accord heavily indebted poor countries debt relief under IMF conditions started to gain sway. However, both the IMF and the World Bank resisted the debt relief policy up until 1995, a year before it was adopted. (Bökkerink & van Hees 1998; Evans 1999; Momani 2010).

The World Bank was the first of the two institutions to concede to the idea of debt relief. External pressure on the IMF to accept the need for a debt relief policy intensified in early 1996, and the HIPC debt relief policy aimed at reducing 'to sustainable levels' (IMF 2014h, p.1) the external debt of heavily indebted poor countries was eventually adopted by the IMF's Board of Governors in September 1996, despite the disagreement of the IMF's Executive Board. Evans (1999, pp.273–274) and Momani (2010, pp.29–30, 40) both argue that the reason why the IMF eventually took a supportive stance vis-à-vis the initiative was that IMF staff had witnessed the need for debt relief through their work in-country, and

thus they chose to work proactively to make the organisation support the emerging debt relief policy. This supports Copelovitch's claim that IMF staff enjoys greater autonomy when the shareholders' interests diverge.

In 1999, three years after the HIPC policy had been adopted, the German Chancellor Schröder initiated an appeal to quicken the pace with which the initiative was being implemented. Schröder's initiative coincided with the NGO campaign Jubilee 2000, which criticised the existing HIPC initiative for a failure to graduate borrowers and for a lack of borrowing country ownership. As a result of these criticisms, the Enhanced HIPC Initiative was launched in 1999. (Momani 2010; Evans 1999) In 2005, the Enhanced HIPC Initiative was complemented with the Multilateral Debt Relief Initiative. In contrast to the HIPC initiative, which only sought to reduce the external debt burdens of the most heavily indebted poor countries to sustainable levels, the Multilateral Debt Relief Initiative sought to provide those countries with full debt relief.

By 2014, all heavily indebted poor countries except Chad, Eritrea, Somalia and Sudan had reached completion point within the Enhanced HIPC Initiative and benefited from debt relief within the Multilateral Debt Relief Initiative. (IMF 2014h) The dissertation's case study country, the DRC, was also granted debt relief under these instruments (*vide* chapter six of this dissertation). However, as we shall see in the subsequent section, the Sicomines controversy took place just before the DRC benefited from debt relief.

### **3. The IMF's power to set norms in terms of public debt management in the DRC**

The first step of this dissertation's investigation into the extent to which, how and why the Sicomines agreement impacted on the IMF's norm-setting power in the DRC is to establish a baseline from which the study can depart. The baseline study needs to ascertain whether the IMF had the power to set norms in terms of public debt management in the DRC in 2007, and if yes, what it was that underpinned that power.

Former Congolese President Mobutu, in office between 1965 and 1997, was adept at manipulating Cold War rivalries to secure his position in office. He was particularly skilled at instrumentalising perceptions among American policy makers that his regime acted as a bulwark against communism in Central Africa. (Dunn 2003; Schatzberg 1991) However, Mobutu lost this geopolitical asset when the

Cold War ended, and the IMF, the World Bank and major bi- and multilateral donors such as the US, Belgium and the European Community withdrew their assistance to the his regime in the early 1990s (Clark 2002; Stokke 1995; IMF 2001; Nachega 2005). The DRC was disqualified from using the IMF's resources in 1991 because of its arrears to the organisation, and the DRC's voting rights in the IMF were suspended in June 1994 (IMF 2001, p.7).

Mobutu was subsequently ousted in 1997 by a rebellion led by Laurent Kabila and backed by neighbouring Rwanda and Uganda. Kabila took over power in the capital Kinshasa and headed one of the warring factions when the alliance with Rwanda and Uganda fell apart and war again resumed in 1998. When Laurent Kabila was assassinated in 2001, his son, Joseph Kabila, took over power and pursued a radically different foreign policy route than his father. Upon assuming power at the height of war, he normalised relations with the IMF, the World Bank, the Western donors and other international organisations (de Villers 2009, p.91,94). As Prunier puts it: "Devoid of any national constituency, he had decided to treat the international community as his power base" (2009, p.258). The IMF, the World Bank, the major donors and other international organisations moved fast to seize this window of opportunity, displaying, as de Villers puts it, an 'impressive activism' (2009, p.94).

Two reasons are commonly cited as to why the IFIs, Western donors and other international organisations were so eager to re-engage with the DRC. The first is the need to stabilise the DRC, because as long as that country remains in a state of conflict, insecurity and refugee flows risk destabilising the entire region with high ensuing costs in terms of human lives and money.<sup>19</sup>

The second reason is the need to secure access to the DRC's natural resources. (Autesserre 2010; Marriage 2010) There is no tangible empirical evidence showing that Western companies has benefited directly from the international community's peacebuilding effort, but the DRC's new Mining Code, put in place with assistance by the World Bank among others in 2002 and under which several Western companies have invested, is one of the most generous in the world in terms of returns to foreign investors. (Abadie 2011, p.295; Mazalto 2005, p.16)

The strategy pursued by the international community to stabilise the DRC was conceived within the normative framework of the liberal peace paradigm, a template for international interventions in

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<sup>19</sup> Certainly, as argued by Autesserre, the idea that the DRC was a 'post-conflict' country after the signature of various peace agreements in 2002 was largely a social construction upon which the international community modelled its engagement strategies. Despite ongoing fighting on the ground, the intersubjective idea of the DRC as 'post-conflict' gradually became entrenched among donors, journalists and some humanitarian agencies. It became an ontological reality upon which even practitioners on the ground began to model their engagement strategies. (Autesserre 2010, pp.65–67)

conflict-ridden societies which the international community has deployed since the turn of the 21<sup>st</sup> century (Tull 2010). This paradigm is what MacGinty (2008, p.139) has termed one of 'standardised peace interventions', and he defines it as follows:

“[T]he concept, condition and practice whereby leading states, international organizations and international financial institutions promote their version of peace through peace-support interventions, control of international financial architecture, support for state sovereignty and the international status quo” (2008, p.143).

Key features within the liberal peace paradigm are the introduction of market-oriented economics and accession to the globalised market economy (Paris 2002). Thus, as I see it, this paradigm is modelled upon to the *Pax Americana*'s collective image of neoliberalism. The paradigm entails the introduction of democracy, rule of law and human rights, features which all require a functioning state (Williams 2006; Richmond 2006). Therefore, the reconstruction of war-torn states is a central feature of the liberal peace paradigm, and it has been argued that contemporary peacebuilding operations diffuse a neoliberal approach to what a state should be and what it should do. As noted in the theory chapter, the most prominent case of neoliberalisation by coercion occurred in Iraq after the US' invasion of that country in 2003 (Klein 2007; Nederveen Pieterse 2004). The focus on state reconstruction has led to what Autesserre terms 'the election fetish' (2010, p.103). She notes:

“Elections were a central element of the liberal peace paradigm since they represented an essential trait of liberal democracies. [...] In dealing with war-torn and postwar societies, a consensus emerged: Any state that Western powers rebuild *must* be democratic. [...] Thus, the “democratic reconstruction model” was born” (Autesserre 2010, p.103).

The ambition of donors and international organisations to engineer, purposely or unintendedly, societies that conform to liberal conceptualisations of democracy, economy and society recurs also in contemporary development agendas (e.g. Abrahamsen 2000; Cowen & Shenton 1996; Williams 2000). Thus, there is significant overlap between contemporary efforts at peacebuilding on the one hand and development on the other. Some of the activities pursued under the peacebuilding umbrella resemble regular efforts to promote socioeconomic development.

Most notably, the World Bank's post-conflict reconstruction activities are concerned with rebuilding conflict-ridden societies' socioeconomic framework, and the IMF's efforts at post-conflict recovery concern the restoration of production levels and assets in post-conflict economies (Barnett et al. 2007).



Indeed, the IMF is one of the international organisations that are the most closely involved in post-conflict transition assistance. Barnett and Finnemore notes:

“Organizations such as the UN, the International Monetary Fund (IMF), and the Organization for Security and Co-operation in Europe are entrusted with drafting new constitutions and judicial arrangements, re-creating financial institutions, and creating civilian police – *in essence remaking entire states*” (2004, pp.1–2, emphasis added).

This template for post-conflict reconstruction efforts was applied to the DRC when the international community re-engaged with the country in 2001 after a decade of absence. Given the centrality of the state to the liberal peace paradigm, stabilising the Congolese state was identified as the main measure to undertake in order to end the ongoing conflict and start the post-conflict reconstruction process. The primary tools deployed to this effect were the following: hold elections; reform the public administration, the justice sector and the security sector; bring about macroeconomic stability; write off the country's debt; privatise its public enterprises; and liberalise its economy in order to attract FDI, notably in the mining sector. (Autesserre 2010; Marriage 2011; Mazalto 2008; Moshonas 2013; Rubbers 2010; Tull 2010)

The debt relief process was thus integrated as a central milestone into a large and well-funded state-centred post-conflict reconstruction project which had been conceived and promoted by influential actors such as the World Bank, the IMF, the different UN organs and by the DRC's influential donors such as the US, the UK, France and Belgium. There was therefore strong political pressure to ensure the DRC would benefit from debt relief as soon as possible. As stated by a senior Western diplomat in an interview in 2011:

“It was difficult to stop the debt relief machinery once it had started”.<sup>20</sup>

Distinguishing between the HIPC debt relief process as such and the broader peacebuilding endeavour with which it has become associated in the DRC is a useful way of developing the argument outlined in the theory chapter, namely that even though the *Pax Americana*'s collective image is that of neoliberalism, not all policy projects pursued by the *Pax Americana*'s institutions are neoliberal. I argue that the HIPC debt relief process should be understood as progressive because it originated from NGO demands and regards the cancellation of what has often been termed the 'odious' debts of highly indebted poor countries (Howse 2007; Ndikumana & Boyce 2011).

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<sup>20</sup> Author's interview, 04.02.2011, Kinshasa. (Interview #3)

As noted above, the World Bank and the IMF were the last actors to throw their weight behind the debt relief policy. However, Taylor's (2004) argument that such 'progressive' policy initiatives are part and parcel of the IFIs' strategies to successfully fabricate consent for its policy agenda holds true in this dissertation's case study of the DRC, as I shall show in chapter seven of this dissertation.

In 2007, the DRC had a significant external debt burden of US\$ 13.1 billion, owed to both bi- and multilateral creditors (IMF 2009c). Thus, the DRC's leadership had strong incentives for ensuring that the country would benefit from debt relief, given that this would free up budgetary resources and make the country credit worthy again. Certainly, the DRC's debts to bilateral and commercial creditors were at this point what one respondent termed 'virtual debt'<sup>21</sup> – the country was no longer servicing them. The arrears to the multilateral creditors were still being paid, however, including those owed to the IMF. These payments amounted to about 25 percent of public expenditure (IMF 2009c). The reason why the DRC continued to reimburse its loans to the IMF and the World Bank was probably that in their capacity as lenders of last resort, these institutions continued to provide the country with support despite its low reimbursement capacity.

The IMF's leverage in this situation was further reinforced by the predicament in which the DRC found itself when the global economic downturn hit the country in late 2008. Due to sharp drops in export revenue, the country's foreign exchange reserves fell from US\$ 225 million in April 2008 to US\$ 36 million in February 2009, less than one day of import cover. The World Bank granted the DRC a US\$ 100 million non-repayable emergency grant in February 2009, and in March 2009, the country benefited from a US\$ 195.5 million disbursement under the IMF's Exogenous Shocks Facility. (IMF 2009b; Reuters 2009)

Aid-dependent DRC also relied heavily on external resources to finance its budget over this period. The country's budget comprised 57 percent external resources in 2006, 35 percent in 2007, 36 percent in 2008 and 39 percent in 2009.<sup>22</sup> (AfDB/OECD 2007, p.214; Radio Okapi 2005; Presidency of the DRC 2007; AFP 2008c; Ministère du Budget 2009, p.5) The IMF and the Western donors were certainly aware that this 'moment' represented a unique window of opportunity in terms of influencing how the DRC's leadership managed its reform trajectory. In the words of a well-placed respondent:

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<sup>21</sup> Interview with a senior Western diplomat, 03.02.2011, Kinshasa. (Interview #2)

<sup>22</sup> I do not have disaggregated data as to what kind of contributions is referred to (grants or loans), or whether the contributions come from bi- or multilateral donors. Moreover, I do not have data to explain precisely why the percentage differed from year to year, but it is plausible that both the external contributions and the size of the budget varied. However, I do not regard this lack of disaggregated data as a problem since it is only used here as an indication of the extent to which the DRC was dependent on external resources throughout 2006-2009.

“[The traditional donors knew that] once they gave the debt relief, their leverage would be gone, with the exception of promises regarding future foreign assistance flows in what has become a budget-constrained environment for the government. So donors wanted assurances that there was a track record of concrete actions regarding the authorities' political commitment and a game plan and road map going forward for sustaining and enhancing those reforms. So, everybody supported debt relief but were sceptical as to whether the DRC authorities were really serious about reforms and were not hiding a side debt deal [with China] that could jeopardize debt sustainability and relief”.<sup>23</sup>

In 2007, formal relations between the IMF and the DRC were yet to be established by means of an IMF programme. The DRC had entered a Poverty Reduction and Growth Facility programme with the IMF in June 2002, but it had been prematurely terminated in March 2006 due to misreporting of budgetary spending and non-implementation of certain structural measures (IMF 2006b; IMF 2006c; IMF 2002; IMF 2005). In 2007, DRC-IMF relations were therefore limited to the so-called Article IV consultations which the IMF conducts in all member countries as per Article IV of its Articles of Agreement. During these consultations, an IMF team assesses the economic and financial developments of the member countries together with officials from the country's government and central bank. (IMF 2014g; IMF 2011a, pp.5–7)

However, in order to benefit from debt relief and demonstrate its commitment to the post-conflict reconstruction project, the DRC would need to start a new IMF programme and meet a number of that organisation's requirements, including adhering to the IMF's public debt norm and committing to sharing information on new public debt contracted. This means that in 2007 when the Sicomines agreement was signed, the IMF's public debt norm was underpinned by the material capabilities of the Western donors and other international actors such as the UN organs, because the HIPC process had been integrated as a milestone in the post-conflict reconstruction project. Thus, given the DRC's need for debt relief, budget support and post-conflict reconstruction, the IMF was at this point endowed with significant power to set norms in terms of public debt management.

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<sup>23</sup> Author's telephone interview, 30.04.2013 (Interview #7).

#### 4. Chapter summary

In this chapter, I have explored what it is that constitutes the IMF's power to set norms in terms of public debt management. Deploying a Coxian-inspired approach to IOs and norms, I conceived of the IMF as a mechanism of hegemony, specifically of the *Pax Americana* hegemony. I argued that the organisation's power to set norms is rooted in the material capabilities of the hegemonic state, the United States, and the other influential states on its board, such as the United Kingdom and France. I argued that the IMF's public debt norm, which is embodied in the organisation's debt limits framework, is one of the *Pax Americana*'s norms. Drawing on Cox' conceptual distinction between a norm and a collective image, I argued that the IMF's public debt norm should be distinguished from the *Pax Americana*'s collective image of neoliberalism.

I then developed the argument that the IMF exercises both norm-enforcing and normative power. Norm-enforcing power is at play if a country has declared an intention to follow one norm, but is coerced by the IMF into following another. Normative power is at play if the IMF manages to define the 'new normal', to make a country's leadership consent to the norm promoted by the IMF, and believe that is the most appropriate norm for that country to follow. The IMF exercises normative power by deploying its epistemic authority, mobilising its professional expertise, its control over information and its intellectual leadership to make other actors subscribe to the organisation's world view. In Coxian terms, the IMF thus seeks to produce consent and make countries internalise the organisation's interests and outlook as their own.

Subsequently, I turned to exploring how the IMF has exercised power over its borrowing member countries ever since conditionality was introduced in 1952. I argued that this has been a coercive form of power, because it has entailed the IMF leveraging its material clout and making disbursements of IMF loans conditional upon adherence to its conditions. Borrowing countries have not internalised the IMF's conditionalities as their own will, as would have been the case had normative power been at play. Nonetheless, in the 'ownership' era, the IMF has sought to exercise normative power, deploying its epistemic authority to frame its conditionalities as the borrowing countries' own will. The IMF has done so, I argued, by engaging in knowledge manipulation, formulating its policy documents in such a manner that in practice, it allows IMF to be the actor that formulates borrowing countries' policy goals. Thus, this remains a coercive form of power.

I concluded this chapter by establishing a baseline from which the dissertation's investigation could depart. I did this by ascertaining whether the IMF had the power to set norms in terms of public debt

management in the DRC in 2007, and if yes, what it was that underpinned that power. My starting point is that the IMF has such power when the material clout of the organisation's largest stakeholders and its other backers outweighs the material capabilities of borrowing countries. Thus, I argued that given the DRC's need for debt relief, budget support and post-conflict reconstruction, and considering the IMF's position as a lender of last resort and a gatekeeper for both debt relief and for public and private development finance inflows, the IMF was poised to start exercising power to set norms in terms of public debt management the DRC in 2007 when the Sicomines agreement was signed.

## Chapter 5: China's challenge to the IMF's public debt norm

This chapter devotes attention to the following working question:

*WQ 2: What constitutes China's power to challenge the IMF's public debt norm?*

### 1. The terms of the Sicomines agreement

The Sicomines agreement challenged the IMF's public debt norm. Prior to analysing the terms of this agreement, I would like to caution that doing so is a complicated endeavour because the agreement is regulated by several contract texts which have all appeared in different versions. Table 5 in Annex II provides an overview of these different contract versions. My analysis of the agreement's terms is based on an in-depth analysis of the different contract texts. I cite the relevant information and refer to the documents where appropriate, but I do not recapitulate the contract texts as such because they contain a great deal of information which is not relevant to this chapter's analysis.

The Sicomines agreement was and remains an unusual setup in the context of infrastructure financing and mining in post-war DRC. Prior to the conception of this agreement, mining ventures in the DRC had been purely commercial endeavours. By contrast, infrastructure projects had been financed by grants or concessional loans from development actors such as the African Development Bank, the World Bank, the EU and Western donors, and to some extent also by funds coming from the Congolese state budget. The Sicomines agreement connected the two hitherto separate economic spheres, linking the financing of infrastructure projects to the profits from a mining venture.

The Sicomines agreement has often been labelled a barter arrangement. It would indeed have been one had the arrangement been such that a certain tonnage of copper or cobalt was to have been exchanged for a certain type of infrastructure project, for instance. However, this has never been the case. Instead, the Sicomines agreement is a financing arrangement with a particular form of collateral. Namely, it is structured such that the profits from a mining project are to be used to reimburse a credit line brought in on commercial terms to capitalise both the mining project and infrastructure of a public goods character in the DRC, such as roads, hospitals and schools (Convention de Collaboration 2008). As pointed out in chapter one of this dissertation, such

financing arrangements have been set up by Chinese banks and companies in other African countries too, but this was the first time such an agreement was signed in the DRC.

The credit line brought in by means of the Sicomines agreement was and remains an open-ended credit pledge. In the first contract document, the Memorandum of Understanding from September 2007 (contract document no. 1 in Table 5, Annex II), an amount of US\$ 6.6 billion is mentioned in relation to the infrastructure projects to be financed (Protocole 2007, p.9).

However, none of the subsequent contract texts mentions any fixed total amount of infrastructure financing to be provided. The main contract text, the Convention de Collaboration from April 2008, states: "The total amount of [financing of infrastructure projects] will be determined following the results of the mining [project]" (Convention de Collaboration 2008, p.11, Article 9, author's translation from French). This means that the Chinese financiers will only disburse as much funds as they are certain to recover.

In conversations with relevant Chinese respondents throughout the fieldwork in the DRC (references to specific interviews below), it has been reiterated that the Chinese party understands the Sicomines agreement as a credit pledge, not a loan of a fixed amount. Prior to the renegotiation of the agreement in October 2009, then Chinese Ambassador to the DRC, Wu Zexian, stated that he did not understand why the amounts were quoted with such certainty in the media. To the Chinese party, he said, the amounts were not set in stone.<sup>24</sup> A senior manager from China Railway Engineering Corporation reiterated in interviews in 2011 that the Chinese party sees the amounts as changeable and that it is likely to take ten years rather than the commonly assumed four years to disburse the money.<sup>25</sup>

By contrast, since the onset, the predominant perception among Western and African observers has been that the financing brought in by the Sicomines agreement is of a fixed amount. A variety of figures have been mentioned in analyses of the agreement: US\$ 3 billion or US\$ 6 billion for the infrastructure projects; US\$ 6 billion or US\$ 9 billion for the entire venture; and US\$ 2 billion or around US\$ 3 billion for the mining project (e.g. AFP 2007; Bavier 2008; Farmer & Talbot 2008; International Mining 2008; Barboza 2011; AFP 2008a; Budimbwa 2008; Lee 2010). Certain observers have even misleadingly claimed that two, separate multibillion Chinese agreements are simultaneously underway in the DRC (Kaplinsky & Farooki 2010, p.16; Cang 2008).

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<sup>24</sup> Author's interview, 23.02.2009, Kinshasa (Interview #16).

<sup>25</sup> Interviews by the author and Wenran Jiang, 07.03.2011 and 14.03.2011, Kinshasa (Interview #8).

The reason why the Sicomines agreement has been perceived as bringing in a loan of a fixed amount is first and foremost because this is the way it has been presented both by the Congolese leadership and the IMF (see for instance IMF 2010a, 10). But another probable reason is that the best way for Western and African observers to make this novel setup intelligible was to equate it to a regular loan from Western and African development finance providers. The conventional lending modalities of the World Bank and the African Development Bank are such that if a loan is approved towards the construction of a road, for instance, the entire amount will be disbursed.

In contrast, in the context of the Sicomines agreement, there were no predetermined amounts. Infrastructure would only be financed as long as the mine was profitable enough to ensure reimbursement of the loans extended to finance them. The implication of using such a setup is twofold: first, that the amount to be disbursed is not determined from the onset of the project; and second, that the disbursement pace can be very slow, given that it depends on the progress of the mining project. Most previous attempts to understand the Sicomines agreement have neglected to pay attention to this difference between lending modalities.

In terms of the loan to be extended to finance the mining venture, the final figure was to be determined in the feasibility study (Convention de Collaboration 2008, p.10, Article 7.2). Feasibility studies are generally considered commercial secrets. Even though it was completed by the time of my final field work in 2012-2013, I was not able to obtain a copy of it, and the final figure for the loans to be taken up to capitalise the mining investment has not been made public.

Therefore, the only figure in relation to the Sicomines agreement for which there is contractual traction is an amount of US\$ 3 billion, which was mentioned in two of the contract texts from 2008 as the maximum amount to be disbursed towards the first tranche of infrastructure projects (Convention de Joint Venture 2008, p.70, Article 52.2; Convention de Collaboration 2008, p.15, Article 12). As we shall see in section two below, after the renegotiations in 2009, the same figure was stipulated as the maximum amount that the Sicomines joint venture was allowed to borrow from China Exim Bank to finance infrastructure construction (Avenant 3 2009, pp.6–7, Article 6).

However, also this US\$ 3 billion figure has been understood by many Western and African observers as an absolute disbursement pledge, rather than the open-ended commercial credit facility it is. Therefore, it surprised certain pundits and policy makers when it was reported in March 2013 that, as of December 2012, only US\$ 458 million of the maximum US\$ 3 billion that Sicomines could lend to finance infrastructure in the DRC had been disbursed (Jansson 2013).



This was a normal development given the delays in the development of the mine, but to observers who thought that the Chinese financiers had committed to disbursing US\$ 3 billion up front like a regular loan, this was a revelation. As we shall see in section three below, the IMF also assumed that the entire amount of US\$ 3 billion in loans would be disbursed when it calculated the concessionality level of the Sicomines agreement's infrastructure financing facility.

Although the Sicomines agreement is to be understood as a purely commercial transaction, the credit line it brought in was from the onset technically structured as Congolese government debt. This was the case because a sovereign guarantee clause was written into the agreement. This clause stipulated that in the year 2032, 25 years after the creation of the Sicomines joint venture in 2007, the Congolese government committed to repaying the debt incurred to finance the mining venture and the infrastructure projects, should the mining project at that point not have generated enough profits to secure full reimbursement (Convention de Joint Venture 2008, p.18, Article 13, point 13.3.4).

This sovereign guarantee was one of the most controversial elements of the Sicomines agreement and was one of the two reasons why the agreement was considered incompatible with the IMF's public debt norm. Without the sovereign guarantee, the financing transaction would have remained a private, purely commercial matter, and the credit line would not have challenged the IMF's public debt norm.

The second reason why the Sicomines agreement challenged the IMF's public debt norm was that the key parameters of the agreement – the total amount, the interest rate, the grace period<sup>26</sup> and the total reimbursement period – were floating. This was the case because the Sicomines agreement brought in a credit pledge, not a loan of a fixed amount. This way of arranging public debt differs significantly from the modalities conventionally used by Western development finance providers, where such parameters are fixed from the onset.

The reason why no set time frame was specified for the grace period and total reimbursement period was that reimbursement was to take place by means of the profits from the mining venture. (Convention de Joint Venture 2008, pp.70–71, Article 52; Convention de Collaboration 2008, pp.15–16, Article 12) Thus, the reimbursement pace would depend on the profitability of the mine. In other words, the grace period would equal the amount of time needed for the

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<sup>26</sup> A 'grace period' is a period of time during which instalments on a loan do not have to be paid.

mining project to start generating profits, and the reimbursement period would equal the time it takes to generate enough profits to repay all the loans. As we shall see in chapter six of this dissertation, the grace period and the total reimbursement period parameters remain unspecified also after the October 2009 renegotiation of the Sicomines agreement.

The interest rate for the loan extended to finance the infrastructure projects was probably left floating in order to reduce the lender's risk exposure in this fundamentally commercial setup. Specifically, the loan was extended at an interest rate determined yearly, equalling the six-month US dollar LIBOR rate plus 1 percent (100 basis points). (Convention de Joint Venture 2008, pp.70–71, Article 52; Convention de Collaboration 2008, pp.15–16, Article 12) On the 22nd April 2008 when the two main contract texts for the Sicomines agreement were signed (Convention de Joint Venture 2008; Convention de Collaboration 2008), the six-month US dollar LIBOR stood at 3 percent (Federal Reserve Bank of St Louis 2014; Mortgage-X 2014). This means that the capital cost for the credit line extended to finance infrastructure investments would at that point have been about 4 percent, but this cost would vary each year according to fluctuations in the LIBOR.

This open-ended structure of the agreement, coupled with the fact that the agreement included a sovereign guarantee for a commercial mining project, made the IMF conclude that the agreement was not compatible with its debt limits framework. This conclusion was drawn even though it was not possible to make an exact assessment of the agreement's concessionality level since key parameters of the loan were left floating.

The IMF's assessment also failed to cater for the meaning of the absence of absolute figures in the different contract text regulating the Sicomines agreement. Namely, it meant that the Chinese financier, China Exim Bank, did not intend to reproduce the experience of Western creditors in the DRC. I argue that the debt sustainability concerns put forward by the IMF and the Western donors were overblown, because China Exim Bank was not going to disburse any more funds than it was certain of recovering via the mining project's profits. As noted above, the total amount of financing to be provided will be determined following the productivity of the mine (Convention de Collaboration 2008, p.11, Article 9). This epitomises the difference in approach between Chinese commercial actors and the Western development finance providers. The Chinese financier's commitment to prudence is indeed evidenced by the slow pace with which disbursement has taken place to date.

Certainly, one parameter in the agreement was fixed, namely the interest rate for the credit line extended to capitalise the mining venture. 70 percent of this loan was to be extended at an interest rate of 6.1 percent, while the remaining 30 percent of the loan was to be an interest free shareholder loan. (Convention de Joint Venture 2008, pp.70–71, Article 52; Convention de Collaboration 2008, pp.15–16, Article 12) This was not of much help to the IMF, however, given that the organisation's position was that a loan extended to finance a commercial mining venture should not benefit from a sovereign guarantee and be structured as public debt in the first place. Thus, in sum, the credit line to be extended by means of the Sicomines agreement challenged the IMF's public debt norm in several ways.

## **2. The fragmented Chinese foreign policy making process**

In order to analyse where this Chinese norm challenge originated from, who furthered it and what underpinned it, it is necessary to understand the fragmented Chinese foreign policy making process. For while the Chinese leadership is indeed seeking to protect and assert the country's economic and political interests globally (e.g. Zhang 2010, p.40), this assertiveness should not be mistaken for coherence in the foreign policy making process. As noted by Constantin (2007), one strand of scholarship on China does take a rationalist approach, viewing the Chinese state as a monolith with complete control over all decisions taken. However, the picture that emerges from the major part of scholarly work on Chinese domestic politics and foreign policy is one of a polity where there is indeed a great deal of ambition and assertiveness both domestically and internationally, but where the policy making process is fragmented and the leadership fragile.

Lieberthal and Oksenberg argued in 1988 that policy making processes in China have become increasingly fragmented since the late 1970s when Deng Xiaoping became the country's preeminent leader and political power was decentralised. They suggested that this should be understood in terms of 'fragmented authoritarianism'. Because authority is now dispersed across an array of bureaucratic units, they argued, bringing about policy change has become an incremental process which requires assuring active cooperation and agreement between different bodies in a bureaucratic bargaining process.

Mertha argued in 2009 that Lieberthal and Oksenberg's fragmented authority framework is applicable also to contemporary Chinese politics, but that the entry barrier to political processes has gradually been lowered. A larger number of 'policy entrepreneurs', Mertha argued, such as

media stakeholders, NGOs, activists and government officials only peripherally related to the policy in question, can now participate in policy making processes.

This pattern of fragmentation is also reflected in the Chinese foreign policy formulation process. Certainly, the Communist Party of China's Politburo Standing Committee retains the ultimate decision-making authority over foreign policy making. Critical foreign affairs decisions are still taken by the Party's Foreign Affairs Leading Small Group whose members include the President, the Premier and the Ministers of Commerce, Defence and Foreign Affairs. Moreover, the People's Liberation Army retains control over security policy. (Lai 2010, pp.138–141; Jakobson & Knox 2010)

However, a number of other actors are also involved in the contemporary Chinese foreign policy making process. Since the turn of the 21<sup>st</sup> century when it became an important foreign policy goal to further China's economic interests overseas, the following actors have gained more prominent roles in the foreign policy formulation process: China's financial ministries; the policy banks; the People's Bank of China (China's central bank); the provincial governments; and the state-owned enterprises (SOE). For instance, the Ministry of Commerce is now increasingly playing a more important role than the Ministry of Foreign Affairs in terms of determining how China's foreign policy towards Africa evolves. As a result of this proliferation of actors with different and at times rival interests, the Chinese foreign policy making process has become fragmented. (Brautigam 2009, pp.110–111; Breslin 2013, p.618; Chen & Jian 2009; Corkin 2011a; Jakobson & Knox 2010; Shen & Fan 2014)

In order to fully grasp the Chinese challenge to the IMF's public debt norm, it is necessary to introduce three groups of actors which have gained clout in the Chinese foreign policy making process more recently, namely the SOEs, China Exim Bank and the People's Bank of China.

## **2.1 China's state-owned enterprises as stakeholders in the foreign policy making process**

China's SOEs are influential and relatively autonomous actors. Before the market economic system was introduced in China, they were either ministries or state industries that reported directly to a ministry. Today, they are sizeable corporate entities whose CEOs have close links to the Communist Party of China. Certain CEOs even have ministerial or vice-ministerial rank

within the Party. (Andrews-Speed 2004, p.51; Downs 2007, p.49; Edwards 2013; Jakobson & Knox 2010, p.24; Brødsgaard 2013; Patey 2014, p.99)

The SOEs wield considerable autonomy in their overseas activities, both because of their CEOs' political clout, and because the process by means of which their operations are regulated is fragmented. The State Assets Supervision and Administration Commission was established in 2003 in order to bring the supervision and management of all SOEs under one administrative umbrella. The agency holds the overall investor responsibility for more than 100 SOEs, but it lacks significant influence and some of the SOEs remain under the tutelage of the Ministries of Finance or Commerce. (Edwards 2013; Pairault 2013)

As argued above, the Ministry of Commerce has assumed an increasingly important role in the Chinese foreign policy making process, and its bureaucratic ranking equals that of the State Assets Supervision and Administration Commission. Thus, disputes between them may need to be solved through a State Council intervention. This indicates an unclear hierarchy between the institutions involved in the management of the SOEs.

As a result of this regulatory fragmentation and the relative autonomy of the SOEs, the latter often pursue independent commercial initiatives. The Chinese government's relations to the SOEs are thus complicated by principal-agent problems. (Constantin 2007, p.4; Gill & Reilly 2007, pp.38–39; Pairault 2013, p.11) Indeed, as discussed in chapter one of this dissertation, the Chinese government formulated the Going Global Strategy – *zouchuqu*, literally meaning 'walk out' – in 2001. The strategy encouraged the SOEs to expand abroad to gain experience and capture market share, particularly with regards to energy. (Barboza 2005; Brautigam 2009, p.74; Zha & Hu 2007)

However, while *zouchuqu* guides the SOEs' operations abroad in a broad sense, the expansion strategies pursued by each company, and other types of decisions taken, are determined mainly by commercial considerations. The SOEs also compete fiercely with each other. (Breslin 2013, p.618; Downs 2007, p.50; Gill & Reilly 2007, pp.39, 44; Jiang 2010, p.9; McGregor 2008) As noted by Jiang:

“Corporate interests, profit considerations, firm development strategies, growing legal limitations and many other factors preclude these firms from simply marching in step with Beijing's orders. [...] More and more often, many of the decisions and practices of these

enterprises do not necessarily coincide with the directives of the Chinese leadership and, sometimes, are even in conflict with them” (2010, p.9).

Thus, the SOEs should not be understood as government-directed agents implementing a grand Chinese overseas plan. While the Chinese government indeed has a clear ambition for the Chinese overseas presence, there is no detailed agenda. Thus, it is more appropriate to think of the SOEs' activities as largely coherent with the Chinese government's ambitions, rather than wholly coordinated by any Chinese grand plan. (Downs 2007, pp.48–49; Jakobson & Knox 2010, p.50; Pairault 2013, p.12)

## 2.2 China Exim Bank as a stakeholder in the foreign policy making process

As discussed in chapter one of this dissertation, one of the ways in which the Chinese government seeks to realise the ambitions formulated in *zouchuqu* is to make large financing offers available on commercial terms to the SOEs. These credit lines facilitate the SOEs' overseas activities and support their business development. Providing such support is, to use Brautigam's words, “part of the portfolio of tools used by an activist, developmental government with a clear vision of what it needs to do to promote its national goals overseas” (2009:14).

Currently, of the three policy banks that were set up in 1994 as developmental tools for the Chinese government, only China Exim Bank retains the status of policy bank. China Development Bank (CDB), responsible for the China-Africa flagship project the China-Africa Development Fund and tasked with promoting Chinese economic development through infrastructure development and “cross-border investment and global business cooperation” (China Development Bank 2014), was commercialised in 2008 (Downs 2011, p.20; Jakobson & Knox 2010, p.28; Xu 2008).<sup>27</sup> The Agricultural Development Bank of China, focused on domestic financing, was commercialised in 2010 (Reuters 2010).

This dissertation's analysis focuses on China Exim Bank for two reasons. First, it has been the financier of the Sicomines agreement since the onset. Second, it is the world's largest export credit agency (Seyoum 2014, p.543), mandated to promote Chinese trade and “assist Chinese companies with comparative advantages in their offshore project contracting and outbound

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<sup>27</sup> However, as Downs (2011, pp.20–23) puts it, CDB was only ‘nominally’ commercialised. To a great extent, it still functions like a policy bank. Political considerations are still at play in terms of the decisions taken and the strategies pursued. Thanks to Pak K. Lee and Charles C. L. Kwong for conveying insights in this regard.

investment” (China Exim Bank 2014a). Thus, it has close links to the Chinese foreign policy formulation process in matters concerning trade and investment. Moreover, as the only remaining policy bank, China Exim Bank provides the concessional loans that are a central feature of the Chinese development aid portfolio. In this capacity, it plays an important role in terms of the practical implementation of Chinese foreign policy. (Brautigam 2009, p.114; Jakobson & Knox 2010, p.28)

In summary, China Exim Bank is an influential institution in the Chinese foreign policy making process. In this dissertation, I conceptualise China Exim Bank as a norm entrepreneur, whose ability to challenge the IMF's public debt norm hinges on the financial clout of the Chinese state. I return to this matter in the subsequent section, where I introduce the public debt norm promoted by China Exim Bank's President Li Ruogu.

I noted above that the different actors involved in the Chinese foreign policy making process have different and at times rival interests. One might expect that as a state-owned policy bank, China Exim Bank ought to cater mostly for political considerations. Yet, existing scholarly work suggests that China Exim Bank focuses to an equally great extent on commercial aspects in its overseas operations (Corkin 2011a, pp.73–75; Pairault 2013, p.19). Corkin argues:

“The bank, it appears, would prefer to structure more commercially oriented deals, and is increasingly doing so. President of China Exim Bank Li Ruogu has advocated that the bank pursue alternative revenue streams. This would render the bank less dependent on government injections of funds and it would consequently be under less pressure to bend to political whims regarding lending decisions” (2011a, p.73).

As we shall see, this commercial orientation comes through clearly in the project-based Chinese public debt norm promoted by China Exim Bank through its President, Li Ruogu. However, Corkin notes, at the same time as it seeks to become more commercially oriented, China Exim Bank also seeks to retain its policy bank status given the privileges this entails in terms of cost control. Combining these two agendas is a balancing act for the institution, and in addition, the Ministry of Foreign Affairs and the Ministry of Commerce have different views on what the focus of China Exim Bank's activities should be.

The Ministry of Foreign Affairs would prefer China Exim Bank to pursue more policy and diplomacy oriented activities, whereas the Ministry of Commerce stresses the Bank's commercial mandate. However, as noted above, the clout of the Ministry of Foreign Affairs has gradually

weakened in the Chinese foreign policy making process in general, and as a result, it has less of a say in terms of the concrete decisions taken by China Exim Bank. (Corkin 2011a, pp.73–75 )

### **2.2.1 The Chinese public debt norm and China Exim Bank as a norm entrepreneur**

The global financial crisis in 2008 and the ensuing economic downturn in the West has often been identified as a turning point after which the Chinese approach to the organisation of relations between society, the market, the state and the global economy gained greater legitimacy. Scholars have queried whether this turning point will usher in an era of greater normative sway for China in global politics. (Breslin 2013; Chin & Thakur 2010; Reilly 2012; Pu 2012; Wang & Rosenau 2009)

Existing scholarly literature finds that China is not a revisionist power with ambitions to challenge or overthrow the prevailing global normative system. Rather, the country is largely seen as having accepted the current international order by joining existing multilateral organisations, cooperating with the international community within the framework of existing global rules, norms and practices, and pursuing reformist ambitions within the realm of the system. (Breslin 2013; Johnston 2003; Wang & Rosenau 2009)

However, contemporary Chinese foreign policy making does include certain proactive normative ambitions. These have to be researched on a norm-specific level for three reasons. First, it is difficult to assess Chinese engagements with global normative matters on a general level, given that there is no coherent body of international norms (Johnston 2003). Second, Chinese engagements with global normative matters cannot be assessed as a unitary feature, given that no consistent, overarching normative Chinese agenda can be discerned (Breslin 2013; Buzan 2010; Johnston 2003). Third, while China will internalise some of the existing global norms, it will probably seek to rewrite others, depending on its political priorities (Chin & Thakur 2010; Pu 2012).

Existing scholarly work on Chinese engagements with global normative matters focuses mainly on four issue areas: China's efforts to bring about reform of the formal balance of authority within the international financial institutions (Breslin 2013; Wang & Rosenau 2009); China's approach to the UN as an international normative actor (Breslin 2013; Chin & Thakur 2010; Wang & Rosenau 2009); the changing Chinese interpretation of the international norm of sovereignty (Breslin 2013; Carlson 2004; Taylor 2009; Gill & Huang 2009; Chin & Thakur 2010;



Foot 2011); and China's engagements with the international norms that govern development cooperation (Reilly 2012; Manning 2006; Woods 2008; Brautigam 2010; 2011a). This dissertation's case study of the Chinese public debt norm contributes to the latter literature.

The Chinese public debt norm that the Sicomines agreement embodied is anchored in the commercial ambitions that increasingly characterises Chinese foreign policy considerations. This normative perspective has clearly been put forward by China's financial institutions, but it has not yet been laid down as a formal norm. In this dissertation, I conceive of this norm as a counter-hegemonic idea, because it challenged the IMF's public debt norm.

The Chinese public debt norm entails a project-based approach to debt sustainability. I conceive of China Exim Bank as the norm entrepreneur which promotes this norm, because the most vocal advocate for this approach has been its President, Li Ruogu. Li is a Princeton University graduate who has held positions within a number of influential financial institutions within China and internationally, including the People's Bank of China and the IMF (China Exim Bank 2014b).

An outspoken critic of the Bretton Woods institutions' approach to debt sustainability, Li argues that debt sustainability assessments should not be based solely on an entire country's economic situation, but should also include project specific parameters. "When determining recipient countries' foreign debt policy" Li wrote in 2007, "specific circumstances of the recipient countries and their projects need to be considered" (2007, p.8).<sup>28</sup> He notes:

"Whether or not non-preferential capital will bring debtor countries into a new round of unsustainable debt depends on loan conditions, loan investment, loan return rates, debtor countries' investment capabilities, foreign debt management abilities and international environments, etc. We should evaluate it case by case, instead of generalizing them" (2007, p.8).<sup>29</sup>

In 2008, Brautigam discussed the matter of debt sustainability with Li Ruogu. She notes:

"Li Ruogu also told me that he believed the IMF and World Bank were wrong to rate an entire country as "debt-distressed" rather than looking at individual projects. The two

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<sup>28</sup> Translated from Chinese. Original quote:

确定受援国的对外负债政策,要考虑受援项目和受援国的具体情况.

<sup>29</sup> Translated from Chinese. Original quote:

非优惠贷款是否使债务国重新陷入新一轮债务不可持续,取决于贷款条件,贷款投向,投资回报率,借款国投资吸收能力,外债管理能力以及国际环境等因素,应该行个案分析,不能一概而论.

Bretton Woods institutions can sanction [a] HIPC ([Heavily] Indebted Poor Country) if it takes out anything but a highly concessional loan. "But if a project is commercially viable, then why should it need a subsidized concessional loan?" Li said" (Brautigam 2009, p.186).

Li's central argument is that in order to achieve debt sustainability, the goal should not be debt reduction, but development sustainability. "What development needs", Li notes, "is not only debt reduction, but also, more importantly, new inflows of capital" (2007, p.8).<sup>30</sup> Li argues that such capital inflows are hindered by the IMF and the World Bank conditions that recipient countries have to fulfil in order to benefit from debt relief (2007, p.7).

Indeed, the central assumption underpinning the IMF's debt limits framework is that a debt-distressed country must benefit from debt relief before it is allowed to contract new commercial debt (IMF 2009g, p.8; IMF 2013c). In contrast, for Li Ruogu, inflows of commercial or semi-commercial capital should take place 'on the basis of', not 'on condition of', debt relief. Given that the goal is development sustainability, Li argues, developing countries need both debt reduction and commercial financing, and he does not make a point of the one having to precede the other. Li notes further:

"Technically, the IMF and the World Bank admitted that adopting inflexible and rigid standards would play a role in limiting excessive debt increases, however, without grants to support it, these standards will hinder normal capital inflows at the same time, which is contrary to the fundamental purpose of promoting development through debt relief. [...] The correct way to do it is to encourage, on the basis of debt relief, commercial and semi-commercial capital to enter developing countries to invest in economic projects to achieve economic increase and development, which is the real goal of debt reduction" (2007, pp.7–8).<sup>31</sup>

Via its President Li, China Exim Bank is the norm entrepreneur that most vocally has advocated this approach to the relation between debt and development. However, this is more than just China Exim Bank's position. As pointed out by Brautigam (2009, p.112), Li's outspoken

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<sup>30</sup> Translated from Chinese. Original quote: 发展需要的不仅仅是减债,更重要的是新的资金流入。

<sup>31</sup> Translated from Chinese. Original quote: 从技术角度看,国际货币基金组织和世界银行也承认,选择僵硬,苛刻的标准也许会对限制债务超常增长起到一定作用,但如果没有充足的赠款支持,这些标准同时将阻碍资金的正常流入,这也就违背了通过减债促进发展的根本目的。 [...] 正确的做法应该是在减债的基础上,大力鼓励商业性,半商业性的资金进入发展中国家,投资于经济效益好的项目,实现经济增长和发展,这正是减债的目的。

comments have been reprinted by *Xinhua*, China's official news agency, and this suggests that the Chinese government supports his views. Furthermore, Chin and Thakur argue that a project-based approach to debt sustainability is promoted by the entire range of Chinese financial institutions involved in foreign policy related matters. Based on discussions with leading representatives of China Exim Bank in 2007, they argue:

“China's People's Bank, Ministry of Finance, and major policy banks, such as the China Development Bank and the State Export-Import Bank, have worked with their southern counterparts on how to become “responsible borrowers,” and *how to identify and structure revenue and surplus-generating projects so that a stable supply of funds is available to repay loans*” (Chin & Thakur 2010, p.125, emphasis added).

Indeed, it came across clearly in a 2007 interview with the African Development Bank's President Donald Kaberuka that he had taken note of the Chinese project-based approach to debt sustainability. Kaberuka stated:

“Until recently debt sustainability analysis by us and the Bretton [W]oods organisations was very static. You take the exports and you estimate how much the government can carry on the books with a cut off number of 50%. You know that this has been criticized. It is not forward looking to the potential of the country to repay debt. That is happening now, but what the Chinese are doing is taking an even long-term perspective of the ability to repay debts. Let me give you an example. Take a country with a rich sub-soil that is emerging from war and therefore in terms of its static numbers it doesn't look good. It would be a [Heavily] Indebted Poor Country case or a grant case from the traditional donors. The Chinese are looking at it and saying what is the capacity of this country, which is unexploited? So they exploit that capacity, build infrastructure. Taking a long-term view the country is able to assess the risk. It is a different analysis” (Africa Confidential 2007).

Moreover, according to observations made by Brautigam during a World Bank ‘learning event’ on China-Africa in May 2014, IMF officials seem to also have taken note of the Chinese project-based approach to debt sustainability. She notes:

“On debt sustainability, an official from the IMF confirmed: “The Chinese look at debt very differently [from the IMF]. It's a function of the project investment.” ” (Brautigam 2014)

Certainly, this analysis applies first and foremost to the loans that Chinese financiers extend on commercial terms to African countries. However, the concessional loans that are extended at below-market rates as part of the Chinese development aid portfolio (detailed in section 3.2 of this chapter) are frequently also linked to income-generating projects in the debtor country in order to ensure reimbursement. Two loans extended to the DRC serve as examples.

First, a US\$ 360 million Chinese concessional loan was extended to the DRC in January 2011 towards the construction of a hydroelectric dam, Zongo II. The reimbursement obligations for this loan have been ceded by the Congolese state to the Congolese national electricity company *Société Nationale d'Electricité*, which in turn ensures reimbursement by means of a collateral arrangement linked to its income from its most important clients, the mining companies in Katanga province.<sup>32</sup> Second, the reimbursement of a US\$ 60 million Chinese concessional loan disbursed in February 2012 to finance the refurbishment of the runway at Kinshasa's N'Djili airport is secured by means of a collateral arrangement with the Congolese Airport Authorities.<sup>33</sup>

Certainly, the Chinese government's aim with the concessional loans is not purely commercial. Just like the Chinese development aid programme as a whole, these loans play a diplomatic role (Brautigam 2009, pp.160–161). However, according to a diplomat from the Chinese Embassy in the DRC, and as evidenced by the strict collateral arrangements included in the loan agreements, the reimbursement guarantees required for the concessional loans are as strict as those required for the Chinese commercial loans.<sup>34</sup>

As norm entrepreneurs, China Exim Bank and other Chinese financial institutions are driven by both normative and material considerations. In normative terms, as exemplified by Li Ruogu's remarks above, the project-based approach to debt is seen by many stakeholders in China's financial institutions as a more appropriate approach to public debt management for developing countries. In terms of material considerations, the more permissive approach to using loans on commercial terms to finance Chinese business ventures in African countries serves the interest of a number of actors: the Chinese state, Chinese corporations and those Chinese workers who can find employment by means of the business ventures that the Bank finances.

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<sup>32</sup> Author's interviews in Kinshasa with a diplomat from the Chinese Embassy in the DRC, 12.10.2012 (Interview #4); and with a well-placed respondent with insight into the relevant loan portfolios, 15.10.2012 (Interview #5)

<sup>33</sup> Author's interview with a diplomat from the Chinese Embassy in the DRC, 12.10.2012, Kinshasa. (Interview #4)

<sup>34</sup> Author's interview, 12.10.2012, Kinshasa (Interview #4)

### **2.2.2 The material underpinnings of China's challenge to the IMF's public debt norm**

One of Cox' central theoretical propositions is that change in world orders starts with change in the production process. He argued that there is a link between power in production, power in the state and power in international relations. This assumption holds true in my observations around the Chinese challenge to the IMF's public debt norm. I find that it is China's financial clout, which hinges on its growing economy and its trade surplus, that has enabled the norm entrepreneur China Exim Bank to challenge the IMF's public debt norm. In other words, China Exim Bank's norm challenge is rooted in the past three decades' changes in the Chinese economy.

In 2007, the year when the Sicomines agreement was first signed in the DRC, China's GDP growth stood at 14.2 percent. China's annual GDP growth rates had averaged 10 percent ever since Deng Xiaoping initiated pro-market reforms in 1978. The number of people living in poverty in China had decreased drastically since 1978, notably in the rural areas. China's FDI inflows, which stood at US\$ 11 billion in 1992 when a market economic system was formally established, reached US\$ 83.5 billion in 2007. These figures dwarf the FDI inflows to other large developing economies that year, such as Russia with US\$ 57 billion, Brazil with US\$ 36 billion and India with US\$ 25 billion. (UNCTAD 2013; World Bank 2013; Ravallion & Chen 2007, p.8; Yao 2000, p.447; Davies 2010, p.1)

China's entry into the WTO in 2001 confirmed the Chinese leadership's commitment to engaging with global markets. Between that year and 2007, total trade between China and the world soared by 427 percent - from US\$ 510 billion in 2001 to US\$ 2.2 trillion in 2007. China's total trade surplus reached a record-high of US\$ 264 billion in 2007, and 62 percent of that trade surplus, US\$ 164 billion, was with the USA alone. The country's foreign exchange reserves stood at US\$ 1.5 trillion in December 2007, the world's largest. (SAFE 2014; UN Comtrade 2013) It is this economic clout had enabled the Chinese government to put in place financial facilities which, as part of the ambition to implement the 2001 'Going Global' strategy, enable the extension of sizeable credit lines on commercial terms, such as that extended by means of the Sicomines agreement.

### 2.3 The People's Bank of China and the Chinese public debt norm

As further proof of the fragmentation of the Chinese foreign policy making process, not all Chinese foreign policy actors advance the Chinese public debt norm. Specifically, it is not promoted by the officials from the People's Bank of China (PBC), China's central bank, who represent China at the IMF's head office in Washington DC.<sup>35</sup>

Along with the SOEs and China Exim Bank, the PBC has in recent years gained a more influential role in Chinese foreign policy making processes. According to Jakobson and Knox, the PBC is now one of the institutions that rival the Ministry of Foreign Affairs in terms of international outreach (2010, pp.10, 48). The PBC's main responsibilities include issuing the renminbi and managing the exchange rate, formulating monetary policy, managing the state foreign exchange reserves, and participating in international financial activities (People's Bank of China 2014). All these matters have gained more importance as China's economy has become internationalised.

To begin with, the issue of the Chinese renminbi's exchange rate, which falls under the PBC's jurisdiction, is crucial to the fate of China's export oriented economy and is a contentious matter in China-US relations (Miller 2010, p.108). Next, Jakobson and Knox argue that the PBC's influence over Chinese foreign policy "stems from its power as the central bank to dictate domestic monetary policy, reflect[ing] China's growing importance to foreign economies and international markets" (2010, p.11). The PBC's role as manager of the world's largest foreign exchange reserve, US\$ 3.5 trillion as of June 2013 (SAFE 2014), also assures the institution a powerful position (Jakobson & Knox 2010, p.11).

Lastly, the PBC's mandate to participate in international financial activities means that it is in charge of China's relations to the IMF. Indeed, the PBC has been the IMF's Chinese counterpart ever since China decided to join the institution in 1980 (Jacobson & Oksenberg 1990, p.81). The mandate to participate in international financial activities also means that the PBC, together with the Ministry of Commerce and China's so-called 'netizens', citizens active on the internet, advocates for China's right to more important voting rights in the IMF, an issue which has been a concern for China ever since it joined the organisation (Jakobson & Knox 2010, p.50; Kent 2007, p.105).

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<sup>35</sup> For instance, the current Executive Director for China, Tao Zhang, as well as his predecessors He Jianxiong and Ge Huayong, have held senior positions within the PBC (IMF 2012; IMF 2014e; Caijing 2009).

All in all, the PBC has an influential mandate regarding certain foreign policy related matters. However, considerations around the SOEs' overseas business strategies and the commercial lending decisions taken by China Exim Bank lie outside of the PBC's remit. Thus, the PBC officials working at the Chinese Executive Director's office at the IMF's headquarters in Washington did not promote the project-based approach to debt furthered by Li Ruogu, China Exim Bank and other Chinese financial institutions.

One well-placed respondent commented that in terms of the work within the IMF in Washington, China has never opposed the IMF's debt limits framework.<sup>36</sup> Another well-placed respondent pointed out that the Chinese Executive Director at the IMF indicated that he was not aware of the Sicomines agreement in the DRC until staff from the IMF's Africa department raised it with him.<sup>37</sup> Thus, the challenge mounted by the Sicomines agreement against the IMF's public debt norm was not anchored across the entire range of actors involved in the Chinese foreign policy making process.

China's membership in the IMF and the World Bank was an important step forward for Deng Xiaoping's ambition to reform and modernise China. Today, contributing actively to the work of the two organisations is a crucial part of China's foreign policy ambition to be a responsible international actor. (Chin & Thakur 2010, p.127; Kent 2007, p.103; Zhao 2010, p.72) In this context, it would have been an odd political choice for the PBC officials at the Chinese Executive Director's office at the IMF to oppose that organisation's public debt norm by actively supporting the Sicomines agreement.

This is, I believe, the reason why such support never materialised. The Chinese Executive Director's office not being aware of the Sicomines agreement until staff from the IMF's Africa department raised the matter with them indicates that the Sicomines agreement should not be understood as a coherent Chinese attempt to mount a challenge against the IMF's public debt norm.

## 2.4 China and the *Pax Americana's* collective image of neoliberalism

Given its significant material clout, China is a form of state that certainly could attempt to establish a new hegemony based on a different collective image than that of the *Pax Americana*.

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<sup>36</sup> Author's interview, 17.12.2012, Brussels (Interview #6)

<sup>37</sup> Author's telephone interview, 30.04.2013. (Interview #7)

However, China has not shown any sign of wanting to defy neoliberalism. As noted above, in terms of normative ambitions generally, China is seen as having accepted the current international order and pursuing reformist ambitions within the realm of the system.

King (2013) and Kurtlanzick (2007) argue that China practices 'soft power' in African countries and beyond. To date, this consent-building strategy has not entailed efforts to promote a new, Chinese collective image that would replace neoliberalism. Instead, China's 'soft power' endeavours have been reformist in nature, aiming at making the foreign public and policy makers more accustomed to Chinese language and culture, and encouraging them to think of China as an opportunity and a reliable partner in international politics.

For Harvey (2005), China does not challenge neoliberalism. Rather, he argues that ever since China joined the WTO in 2001, it has increasingly become a 'competition state', structurally subordinated to disciplinary neoliberalism. Arrighi (2007) takes a different approach, arguing that China's rise does represent a challenge to neoliberalism, in the sense that the country embraces capitalism without the association to democracy. Nonetheless, as I see it, such a selective deployment of neoliberal ideology does not equal a direct challenge to it.

Even if China would have had an ambition to defy neoliberalism, its power to do so is curtailed in several ways. Breslin (2005) argues that China is less powerful than what is commonly believed because of its dependence upon regional and global production networks. Another limit to China's power lies in what Bello (2008) terms the logic of 'chain-gang economics'. Namely, China cannot make use of the power that its possession of US government bonds endows it with by crashing the US government bond market, given the disastrous effects that this would have upon the Chinese economy (Segal 2003).

In sum, existing literature does not provide any indication that China seeks to defy neoliberalism, secure consent for a different collective image and thus establish a new world hegemony. In a similar vein, this dissertation's observations do not point towards a nascent Chinese counter-hegemony. If China's aim was to establish a new world hegemony, it would have mounted a concerted challenge also to the *Pax Americana's* norms. As I have shown in this chapter, no overarching Chinese normative agenda as regards public debt management can be discerned. The Chinese challenge to the IMF's public debt norm was only supported by a few of the actors involved in the Chinese foreign policy making process.



### **3. The Sicomines agreement in relation to the Chinese presence in the DRC more broadly**

This concluding section contextualises the Sicomines agreement by relating it both to the Chinese development aid portfolio in the DRC, as well as to the multitude of other Chinese commercial activities taking place in the country. Such contextualisation is necessary given that the Sicomines agreement, commonly referred to in the DRC as *les contrats chinois* – ‘the Chinese contracts’, has often been understood both by scholars and observers as a combination of Chinese aid and investment. For instance, Marysse and Geenen noted in 2009:

“This ‘agreement of the century’ is very interesting in several ways. The first noteworthy characteristic is that it encompasses and determines all economic relations between two countries in one text. [...] It covers commercial relations and investments, development cooperation and financing for a period of about thirty years” (Marysse & Geenen 2009, p.380)

This is a misleading yet common perception of *les contrats chinois*. The Sicomines agreement is one specific business venture, conceived for commercial reasons. The agreement is neither part of the Chinese development aid portfolio in the DRC nor does it ‘encompass and determine’ all commercial relations between China and the DRC for the coming decades.

#### **3.1 The genesis of the Sicomines agreement**

The overseas operations of the SOEs are financed by the Chinese financial institutions, mostly China Exim Bank, and the Chinese public debt norm is therefore reflected in the SOEs’ commercial endeavours. However, the SOEs as such do not act as norm entrepreneurs, they have purely commercial ambitions. Existing research advances three different explanations of the exact genesis of the Sicomines agreement. The first of the three versions emerges from my own interviews. In this narrative, the opportunities in the DRC’s mining sector emerge as the primary driver for the conception of the agreement.

The SOE China Railway Engineering Corporation (CREC) is one of the world’s largest construction companies. CREC together with the SOE Sinohydro and the private company Zhejiang Huayou Cobalt form the Consortium of Chinese companies, the Chinese party to the

Sicomines joint venture. A senior manager from CREC stated in an interview in 2011 that the Sicominex agreement was initiated by his company while it was in the process of implementing its diversification strategy to expand into resource extraction activities. According to the respondent, before the discussions in the DRC started, a CREC delegation had travelled to Latin America, to Brazil, Chile and Peru, where no mining opportunities were identified. The delegation then travelled to Zambia and from there to Lubumbashi, capital of the DRC's mineral-rich, south-eastern Katanga province.

According to the respondent, CREC ended up with concessions in the DRC partly because China Railway Group, its parent company, already had substantial in-house experience of operating in the DRC's mining sector. The respondent stated further that initially, CREC sought to engage only in a standard mining project. However, during negotiations, the Congolese party had suggested that the project should include an infrastructure component.<sup>38</sup> This account of the genesis of the Sicominex agreement is also the one advanced by Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, the government agency established specifically to manage the Sicominex agreement (ACP 2013).

In interviews conducted throughout 2008, 2009 and 2011, several Congolese respondents from different government departments, the Presidency and the Prime Minister's office told me that the idea of designing the agreement as an arrangement that would also finance infrastructure was inspired by the so-called 'Angola model'. In this model infrastructure construction is financed by loans secured with natural resource revenues as collateral, a model that the Congolese had witnessed at work in neighbouring Angola (for more on the so-called 'Angola model' see e.g. Corkin 2013, 87–88; Foster et al. 2009, 55–56). The same respondents also argued that the Congolese party sought to include an infrastructure component in the mining venture because of the country's difficulties in accessing finance for post-conflict reconstruction from the IMF and the World Bank in the period following the end of the war in 2003. This financing predicament is discussed in more depth in chapter six of this dissertation.

The second narrative explaining the genesis of the Sicominex agreement emerges from an interview conducted by Brautigam in 2012 with another high-level CREC official. This respondent argued that it was the Congolese party that brought up the idea of the Chinese companies constructing infrastructure in the DRC. The mining project, the CREC official argued, was included as a way to finance the infrastructure projects. This served the purposes of CREC

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<sup>38</sup> Interview by the author and Jiang Wenran, 14.03.2011, Kinshasa (Interview #8)

and Sinohydro too, given that they sought to secure more infrastructure business for themselves in the DRC. In this account, the intention had not been to engage in a mining project from the onset, but the CREC official told Brautigam that it was a commercial advantage for CREC to be involved in a mining project because “[t]o have mining assets makes us more attractive” (Brautigam 2013).

In both these accounts, CREC is portrayed as the company that initiated the agreement and that subsequently brought another Chinese SOE, Sinohydro, onboard. In the account of the CREC official interviewed by Brautigam, Sinohydro was brought in both because of the needs of the project and because they were already established in the DRC. “Other Chinese companies can be competitors or cooperate”, the respondent told Brautigam. “If we didn’t bring them in, they might have competed with us” (Brautigam 2013). In contrast, the senior CREC official interviewed by myself and Professor Jiang Wenran stated that the incorporation of Sinohydro was driven by China Exim Bank, who saw the strategy of including another company with a different competency in the project as a way of reducing performance risk.<sup>39</sup>

To further complicate the picture, there is data indicating a third version of the inception of the Sicomines agreement. Namely, the Congolese Ministry of Mining has published a signed version of the Sicomines agreement on its website, dated January 2008, which includes Sinohydro as the only Chinese partner (see *Convention de Collaboration Sinohydro* 2008). This version of the agreement is almost identical to the version subsequently signed in April 2008 which included all the Chinese partners (*Convention de Collaboration* 2008).

The latter version of the contract is the one that was subsequently amended and implemented, and there are no indications that the agreement signed by Sinohydro alone ever entered into force. Yet, the very existence of this contract version suggests that the narrative of the CREC officials interviewed, implying that CREC was the lead company that subsequently included Sinohydro, may be misleading. It is equally plausible that CREC and Sinohydro were competing on equal terms to get the upper hand in the negotiations with the Congolese party.

Given the difficulty in accessing data around the subject matter, we may never know which of these accounts of the genesis of the Sicomines agreement is correct. Considering that both CREC and Sinohydro are construction companies with far more experience in large-scale infrastructure projects than in mining, the version emerging from Brautigam’s research seems more plausible.

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<sup>39</sup> Interview, 14.03.2011, Kinshasa (Interview #8)

At the same time, the main contract text for the Sicomines agreement states that the goal for the Consortium of Chinese companies is to “invest in the domain of non-ferrous metals within the DRC’s territory” (Convention de Collaboration 2008, p.5, Article 1, section 1.1.2). In any case, for the purposes of this dissertation’s analysis, this narrative discrepancy is not a problem because the necessary information emerges clearly from all three versions: the Sicomines agreement was a commercial initiative.

### **3.2 The Sicomines agreement: not a Chinese development aid project**

While China’s economic transformation has been underway since 1978, its diplomatic relations to African countries only started to gain importance from 2000 onwards (e.g. Alden et al. 2008). The DRC, then Zaïre, recognised the People’s Republic of China in 1972, but diplomatic ties between the two countries started to intensify only after the Congolese elections in 2006. Prior to this, war-torn DRC had been peripheral to China’s foreign policy ambitions. As indicated in Table 3 below, between 1972 and 2006 China provided the DRC with only six donations, one modest credit line and a small number of scholarships for Congolese students. The donations were the kind of symbolic gifts also provided to many other African countries during this time (e.g. Brautigam 2009, pp.34–35), such as a parliamentary building, a farm and a hospital.

Currently, the Chinese development aid portfolio in the DRC comprises donations, concessional loans, scholarships for Congolese students and training programs for Congolese civil servants. There are two main differences between the Sicomines agreement and the projects financed within the framework of the Chinese development aid programme.

First, while the development aid projects play a primarily diplomatic role (Brautigam 2009, pp.160–161), the Sicomines agreement is a purely commercial venture. Certainly, as Brautigam (2009, p.161) points out, Chinese development aid, most notably the concessional loans, also serve business generating purposes. As discussed above, the reimbursement guarantees required for the concessional loans are as strict as those required for the Chinese commercial loans. Moreover, it is important to note that the Sicomines agreement would probably not have materialised without the strong bilateral relations between the DRC and China, and the Chinese development aid programme plays an important role in strengthening diplomatic ties between the two countries.

**Table 3: Chinese donations and credit lines to the DRC (1972-2012)<sup>a</sup>**

Period	Year	Project	Financing	Nominal value <sup>b</sup>	Delivered
1970s until today		Chinese medical teams dispatched (1973-)	Donation	N/A	Yes
		Training provided for Congolese professionals	Donation	N/A	Yes
		Farm project in N'Djili, Kinshasa producing crops and livestock (1970s-today, currently run by a private Chinese company)	By an agricultural institute, Hebei, China; sale of crops	N/A	Yes
		Chinese government scholarships for Congolese students: 5-8 yearly (1985-2003); 11 yearly (2004-2006); 27 (2007); ± 30 yearly (2008-2011)	Donation	N/A	Yes
Pre-2006	1970s	Sugar factory in Kisangani (subsequently destroyed during the wars)	Donation	N/A	Yes
		Rice-planting technique promotion station	Donation	N/A	N/A
		Kinshasa mail distribution centre	Donation	N/A	N/A
	1979	The National Assembly building (Kinshasa)	Donation	N/A	Yes
	1994	The Martyr's Stadium (Kinshasa)	Donation	N/A	Yes
	2000	Establishment of the company China-Congo Telecom	China Exim Bank concessional loan	RMB 80 mn	Yes
	2004	Hospital in N'Djili, Kinshasa	Donation	N/A	Yes
Post-2006	2006	Yearly donation of malaria medication	Donation (pledge from the 2006 Forum on China-Africa Cooperation)	N/A	Yes, yearly 2007-
		3 schools, Kisangani (2); and Kinshasa (1)		N/A	Yes
		Malaria treatment centre (Kinshasa)		N/A	Yes
	2008	Next Generation Network (NGN) (Kinshasa)	China Exim Bank concessional loan	US\$ 32 mn	Yes <sup>c</sup>
		Fibre optic cable between Moanda and Kinshasa		US\$ 32 mn	
	2009	Agricultural centre in N'Sele, to be managed by the Chinese company ZTE Energy	Donation	N/A	Not yet
	2010	Refurbishment of the road Bukavu-Kavumu	Donation	N/A	Yes
	2011	Construction of the Zongo hydroelectric dam	China Exim Bank concessional loan	US\$ 360 mn	Not yet, due in 2015
		Refurbishment of the runway at Kinshasa airport		US\$ 60 mn	Not yet

**Source:** Author's interviews with relevant Chinese and Congolese stakeholders in the DRC in October 2008; February-March 2009; October 2009; February-May 2011; October-December 2012; and in Beijing in November 2009.

<sup>a</sup> Projects are listed the under year they were announced, not the year they were delivered/implemented. The data covers the period until December 2012.

<sup>b</sup> The value of the donations made within the framework of the Chinese development aid programme is considered a state secret and is therefore not disclosed. The figures listed in this table concern loans.

<sup>c</sup> The Chinese contractors have completed their work, but problems on the Congolese side impede the network infrastructure from being brought into operation. I do not have reliable data as to the cause of this delay, but anecdotal evidence suggests corruption.

The second difference between the Sicomines agreement and the projects financed within the framework of the Chinese development aid programme pertains to the interest rates of the loans extended. Namely, the concessional loans are extended by China Exim Bank at below-market rates because the interest rate difference is subsidised by the Chinese development aid budget (Brautigam 2009, p.114). By contrast, the credit line which finances Sicomines' operations is extended on purely commercial terms, although, as we shall see in chapter six of this dissertation, the IMF framed the latter credit line as concessional in order to make it compatible with the debt relief process.

### **3.3 The Sicomines agreement: only one out of many Chinese commercial ventures in the DRC**

The Sicomines agreement is but one of the many commercial enterprises that Chinese corporate actors undertake in the DRC. Chinese commercial activities in the Central African country take place mainly in four economic sectors: mining, public works, telecommunications, and in the import, wholesale and retail of consumer goods.

In terms of the DRC's mining sector, the Sicomines agreement is certainly the most well-known Chinese venture, but it is not the only one. The Chinese corporate presence in the DRC's mining sector is diverse, and three distinct groups of actors can be identified: individual entrepreneurs and private companies; joint ventures between private companies and SOEs; and wholly SOE-owned ventures.<sup>40</sup>

Individual entrepreneurs and small, private Chinese companies started coming to the DRC's south-eastern Katanga province in 2005-2006 when the mining sector took off after the 1998-2003 civil war. During the boom in 2006-2007 before the global economic crisis hit Katanga in 2008, around 30 Chinese companies were active in the province. This was a heterogeneous group, ranging from individual entrepreneurs to small and medium-sized companies. They were largely involved in two forms of activity: mineral trading and processing. Mining was not a core activity for this group of Chinese actors because only a few of them had access to mining concessions.

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<sup>40</sup> The account below of the Chinese presence in the mining sector of Katanga province draws on the following: field work conducted by the author and Wenran Jiang in Lubumbashi and surroundings in September 2008 and March 2011; author's email exchanges and telephone interviews with Chinese respondents throughout 2008-2011; and author's field work in Kinshasa in 2008, 2009, 2011 and 2012. For a more in-depth account, refer to Jansson et al, 2009, pp. 36-43 and Jansson, 2010.

The group of actors involved in mineral trading were largely part of a 'gold rush'-type influx. The high metal prices on the world market drove more or less serious private Chinese entrepreneurs to 'set up shop' in Katanga to make a quick profit without necessarily having any long-term ambitions. This group of actors had very little contact with the Chinese Embassy in Kinshasa and only a very limited part of them had any form of support from the Chinese government. Practically all of these operations came to a halt in late 2008 as a result of the global economic downturn, which hit Katanga province hard. In March 2011 when the author and Wenran Jiang conducted their fieldwork in Katanga, only six of these Chinese companies were recorded as still operating in Lubumbashi, Likasi and Kolwezi.

The global economic downturn had a concentration effect on the group of Chinese companies in Katanga, culling out the 'fortune seekers' from those with long-term ambitions. The few companies that remained in 2011, according to fieldwork records, were medium- and large-sized ventures. A number of these companies, which were operating purely on market-seeking logics with no state support when they established their operations in the DRC, were purchased by SOEs after the global economic downturn. For instance, in 2011, the SOE China Nonferrous Metal Mining Corporation (CNMC) purchased a share of a privately owned medium-sized Chinese company in Katanga, which operates two mining concessions and a processing plant. At the time of the fieldwork in 2011, this company was operated as a joint venture between the private owner and the SOE.<sup>41</sup>

In terms of wholly SOE-owned ventures in the DRC's mining sector, subsidiaries of the SOE China Railway Group have owned all shares (apart from the Congolese parastatal Gécamines' mandatory share<sup>42</sup>) of two mining ventures in Katanga since 2005: COMILU and COMMUS (Jansson 2012, p.183). As noted in section 4.1 above, one of the reasons why the Sicomines agreement was conceived in the DRC was that China Railway Group already had experience in that country's mining sector.

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<sup>41</sup> Interviews by the author and Wenran Jiang, 09.03.2011 and 11.03.2011, Lubumbashi (Interview #9) This acquisition is part of CNMC's broader move into the Central African copperbelt. CNMC is also a majority shareholder in the Chambishi Mine in Zambia (CNMC 2011). I cannot provide the name of the private company in question given the commitment to keep the respondents anonymous.

<sup>42</sup> Most mining ventures in the DRC take place in a joint venture with one of the country's mining parastatals. These are Gécamines and Sodimico (copper and cobalt), MIBA (diamonds), Okimo (gold), Sakima (cassiterite) and *l'Entreprise Minière de Kisenge* (manganese). Generally, the joint ventures are set up with the foreign investor as a majority shareholder.

The Sicomines joint venture is also wholly SOE-owned, apart from a small share held by a private Chinese company and the 32 percent share held by Gécamines and its subsidiary SIMCO (Convention de Joint Venture 2008, pp.34–35; Avenant 1 2008; Avenant 2 2008). All in all, as of 2012, around 15 Chinese companies with different ownership structures, some of them registered in Hong Kong, were operating in Katanga province.<sup>43</sup>

While the largest group of Chinese entrepreneurs in the DRC's mining sector have sought opportunities in Katanga, the lucrative trade in minerals from the country's eastern regions has also attracted a small group of Chinese actors. Up until May 2012, three Chinese companies operated *comptoirs* (the DRC's mineral trading houses) in Goma, North Kivu province, trading in cassiterite and coltan originating from the South Kivu, North Kivu and Maniema provinces. Two of these companies also operated *comptoirs* in neighbouring Bukavu, South Kivu province.<sup>44</sup>

These companies were closed down by Congolese authorities in May 2012 because they had failed to prove that they were not trading in conflict minerals (Global Witness 2012). Little is known of the ownership structure of these companies, but the fact that they were purchasing minerals openly despite the implementation of the Dodd-Frank legislation would indicate that they were not SOE subsidiaries but private actors that did not worry about their reputation.

Thus, the Sicomines agreement is but one of many Chinese corporate ventures in the DRC's mining sector. In a similar vein, Sicomines is also only one of several Chinese companies active in the DRC's public works sector. Indeed, a common perception among both Congolese and international observers is that all infrastructure projects that Chinese companies implement in the DRC are financed by *les contrats chinois*. This is not the case. Seven Chinese construction companies are currently based in Kinshasa, where they implement projects for a wide range of principals: the Chinese government (development aid projects for which they win tenders back in China); international donor organisations (mainly the African Development Bank and the World Bank, projects acquired through international tender processes); the Congolese government; and Congolese private property owners.<sup>45</sup>

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<sup>43</sup> Author's interview with a diplomat from the Chinese Embassy in the DRC, 12.10.2012, Kinshasa. (Interview #4)

<sup>44</sup> This data was partly acquired in an interview with a senior representative of the Congolese Ministry of Mines, 02.12.2010, Brussels (Interview #10), and partly kindly made available by Thierry Vircoulon.

<sup>45</sup> The analysis of the Chinese companies active in the DRC's public works sector draws on the following: author's interviews in Kinshasa with representatives of Sinohydro, 26.02.2009 (Interview #11); the Congolese Agency for Major Construction Works, 09.02.2011 (Interview #12); China Railway Engineering Corporation, 15.10.2012 (Interview #13); China Jiangsu Construction Development Company, 24.02.2009, 09.02.2011 and 07.03.2011 (Interview #14); and Société Zhengwei Technique Coopération, 14.03.2011 (Interview #15). The latter two interviews were conducted together with Wenran Jiang.



Indeed, the DRC is one of the African countries where Chinese companies have been the most successful in terms of winning road and water tenders issued by the World Bank and the African Development Bank (Foster et al. 2009, p.xv). CREC and Sinohydro, the two Chinese SOEs that form part of the Sicomines joint venture, also implement public works projects for other principals in parallel with their work on Sicomines-funded projects. This adds to the confusion among Congolese and international observers in terms of which infrastructure projects are actually funded by *les contrats chinois*.

Lastly, apart from mining and public works, Chinese companies are also active in the DRC's telecommunications sector and in the import, wholesale and retail of consumer goods (Jansson 2012, pp.186–187, 190–191). These are commercial activities that have no link to the Sicomines agreement.

#### 4. Chapter summary

In this chapter, I have explored what it is that constitutes China's power to challenge the IMF's public debt norm. I started out by showing that Chinese commercial development finance offers, such as that extended by means of the Sicomines agreement, challenge the IMF's public debt norm because they have lower grant elements than the loans deemed concessional within the IMF's debt limits framework. Chinese commercial development finance offers have lower grant elements because they have higher interest rates, shorter grace periods and shorter total repayment periods than concessional loans.

I then analysed the Chinese foreign policy making process, focusing specifically on China Exim Bank, which I conceived of as a norm entrepreneur. Through its President Li Ruogu, China Exim Bank promotes a Chinese public debt norm, a project-based approach to debt sustainability. This norm, embodied by the Sicomines agreement, is anchored in the commercial ambitions that increasingly characterises Chinese foreign policy ambitions. I conceived of this norm as a counter-hegemonic idea, because it challenges the IMF's public debt norm. However, the Chinese norm challenge concerned only one of the *Pax Americana's* norms, not that world order's collective image of neoliberalism.

This chapter's conclusion is that China Exim Bank's ability to successfully promote the Chinese public debt norm hinges on the financial clout of the Chinese state, which in turn derives from the economic growth and trade surplus brought about by the past decades' changes in the

organisation of production in China. The Chinese development finance offers which embody the Chinese public debt norm are able to challenge the IMF's public debt norm because China's financial clout outweighs that of the most influential states on the IMF's board. Thus, when a Chinese commercial development finance offer is extended to an African country, the material basis of the IMF's power in that country is challenged.

## Chapter 6: The IMF's reaction to China's norm challenge

This chapter devotes attention to the following working question:

*WQ 3: Why did the IMF deploy both norm-enforcing power and epistemic authority to counter the Chinese challenge to the IMF's public debt norm in the DRC?*

In existing literature, the outcome of the Sicomines controversy is predominantly understood as a display of power on the side of the IMF. Certainly, when the agreement was finally renegotiated in October 2009 after more than a year of discussions, the changes made to the structure of the agreement reflected in detail the requirements put forward by the IMF. I understand this strategy in terms of norm-enforcing power and I detail it in section one below.

However, the IMF simultaneously deployed its epistemic authority to make the Sicomines agreement comply with the organisation's public debt norm. Specifically, the IMF engaged in knowledge manipulation, silently bending the organisation's debt limits framework and conducting a grant element calculation so generous that the credit line to be extended by means of the Sicomines agreement was portrayed as highly concessional, which it is not. This strategy has only received limited attention in existing literature, and it is detailed in section two below.

Thus, this chapter shows that the IMF reacted to the Chinese norm challenge as a 'mechanism of hegemony' in the Coxian sense, using both norm-enforcing power and epistemic authority to perform *trasformismo* and co-opt the Chinese counter-hegemonic idea.

### 1. Norm-enforcing power: political pressure from the highest level

As discussed in chapter four of this dissertation, in 2007 when the Sicomines agreement was signed, it was of political importance for the influential countries on the IMF's board to ensure that the DRC would benefit from debt relief as fast as possible. Given that the Sicomines agreement challenged the IMF's public debt norm, it threw a spanner in the works of the entire debt relief process. As a result, the 'China deal', as the Sicomines agreement came to be called in Western donor circles, gave rise to significant political mobilisation throughout 2008-2009, both

within the IMF and among the Western donors in the DRC. The message was clear: the 'China deal' had to be renegotiated before the Paris Club creditors would grant the DRC debt relief.

From April 2008 to May 2009, the Sicomines agreement was discussed in many different arenas. The Belgian government was the first of the DRC's bilateral donors to react publically to the agreement, and its representatives even held discussions in China to push for an amendment of the agreement (Vircoulon 2010, p.4). The US Embassy in Kinshasa stated in a diplomatic cable from 2009 that it encouraged senior US government officials, including the US Executive Director at the IMF, to engage with Chinese stakeholders on the matter (US Embassy Kinshasa 2009).

All the DRC's Western donors united behind the twofold agenda of removing the sovereign guarantee on the loans extended to capitalise the mining project and to limit the amount of loans that Sicomines was allowed to take up towards finance infrastructure construction in the DRC. However, despite the significant leverage wielded by the IMF and the Western donors at this 'moment' in the DRC's aid relations, the leadership of the DRC, in this instance President Kabila himself, resisted renegotiation of the 'China deal' until May 2009.

Several interpretations emerged from the interviews and informal conversations conducted throughout 2009-2012 as to why President Kabila defied renegotiation for so long. Several respondents<sup>46</sup> argued that he seemed to have been convinced that he had to choose between the Sicomines agreement and debt relief. In this view, Kabila was already preparing to opt for the 'Chinese alternative' only, given that the country needed the infrastructure and Kabila perceived it as unlikely that the DRC would ever benefit from debt relief and again be able to access finance from the Western donors.

Other respondents argued that this idea is not plausible. They believed that Kabila could not have considered jeopardising the ties to the very donors that contributed around half of the country's budget. Yet other respondents suggested that President Kabila played a clever strategic game, knowing that the IMF's political will to ensure debt relief for the DRC would increase as a result of the 'competition' induced by the Sicomines agreement.

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<sup>46</sup> I do not refer to specific interviews in this paragraph. The different interpretations of President Kabila's behaviour emerge both from formal interviews as well as from a large number of informal conversations conducted in the DRC and elsewhere between 2009 and 2012. It is therefore not feasible to provide a comprehensive list of the respondents consulted.

In any case it is clear that despite the significant leverage exercised by the IMF and the Western donors at this time, they had to engage in considerable political manoeuvring to make the Congolese leadership agree to renegotiate the Sicomines agreement to conform to the IMF's requirements. The ultimate proof of this was that in May 2009, after more than a year of standstill where President Kabila had not budged on the matter, the IMF's then Managing Director Dominique Strauss-Kahn came to Kinshasa.

Strauss-Kahn discussed the matter of the Sicomines agreement with Kabila during a *tête-à-tête*, and this meeting was seen by a wide range of respondents as pivotal for convincing the President that the agreement had to be renegotiated. As stated by one respondent, after the meeting with Strauss-Kahn, "*il a commencé à jouer sur les deux tableaux*"<sup>47</sup>, meaning that President Kabila then began working towards securing both debt relief and a renegotiated version of the Sicomines agreement. A well-placed respondent with first-hand insight into the developments during the Sicomines controversy stated:

"During Strauss-Kahn's visit, he reached understandings with President Kabila on an approach in which the Sicomines deal would be consistent with the country's debt sustainability and thereby allow the HIPC debt relief to proceed as planned. Strauss-Kahn was instrumental in reaching that understanding."<sup>48</sup>

In sum, this was a situation where all the DRC's Western donors and the IMF united behind one single agenda and where political pressure was mobilised from the highest level to push for it. I understand this in terms of norm-enforcing power. Indeed, the strategy did have the desired effect. On the 2<sup>nd</sup> June 2009, less than two weeks after Strauss-Kahn's visit, the Congolese government sent an official letter to China Railway Engineering Corporation requesting that the sovereign guarantee on the credit line that was going to capitalise the mining operation should be removed.<sup>49</sup> The Consortium of Chinese Companies agreed to amend the agreement in this way. On 29 June 2009, China Railway Engineering Group's President Li Changjin responded, stating :

*"nous pensons que l'investissement du Projet Minier [...] n'a pas besoin de la garantie de la RDC. Il ne doit également pas être garanti par celle-ci étant donné son caractère commercial"* (we believe that the Mining Project's investment [...] does not need the guarantee of the DRC. It should also

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<sup>47</sup> Author's interview with a senior Western diplomat, 11.02.2011, Kinshasa (Interview #17).

<sup>48</sup> Author's telephone interview, 30.04.2013 (Interview #7).

<sup>49</sup> The letter (reference number RDC/GC/PM/755/2009) is referred to in the response from China Railway Engineering Corporation (see China Railway Engineering Corporation 2009, p.2)

not be guaranteed by the latter given its commercial character) (China Railway Engineering Corporation 2009, p.2, author's translation from French).

I do not know what the precise considerations of the Consortium of Chinese Companies were in this instance, but it had probably become a commercial necessity for them to agree to a renegotiation given that the Congolese party requested it. The third and final<sup>50</sup> amendment (Avenant 3 2009) to the main contract document from April 2008 (Convention de Collaboration 2008) was subsequently signed in October 2009. This amendment made the Sicomines agreement resemble to a greater extent a regular loan from Western development finance providers. First and foremost, the mining component was excluded from the public debt arrangement since the sovereign guarantee on the part of the credit line that would capitalise the mining venture was removed (Avenant 3 2009, p.9, Article 8).

Thus, the mining loan was now considered private, commercial debt, no longer relevant for the IMF's debt sustainability assessment. This dissertation engages critically with this assumption in section two below. The remaining part of the credit line, intended for financing infrastructure of a public goods character, remained covered by the sovereign guarantee (Avenant 3 2009, p.9, Article 8). Thus, it remains technically structured as Congolese government debt.

As discussed above, the key parameters for the infrastructure financing facility – total loan amount, interest rate, grace period and total reimbursement period – had been left floating in the original version of the agreement. These parameters were capped by means of the October 2009 contract amendment, a measure which enables a more exact assessment of the capital cost. The maximum amount of loans that Sicomines was allowed to contract to finance infrastructure projects in the DRC was capped at US\$ 3 billion (Avenant 3 2009, p.6, Article 6). The interest rate for this credit line was capped at the equivalent of the 6-month dollar LIBOR of the 22<sup>nd</sup> April 2008 plus 1 percent (100 basis points).

In its assessment of the concessionality level of the Sicomines agreement, the IMF put this fixed interest rate to 4.4 percent (IMF 2010a, p.10). However, according to my research, the six-month US dollar LIBOR stood at 3 percent on the 22<sup>nd</sup> April 2008 (Federal Reserve Bank of St Louis 2014; Mortgage-X 2014). This means that the capital cost for the credit line extended to finance infrastructure projects would now be fixed at about 4 percent.

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<sup>50</sup> At least this is the third and final contract amendment that has been made publically available. There may be other amendments that have not been published.

Yet, as noted by Brautigam (2011b, p.215), the interest rate charged by China Exim Bank is still not capped. Instead, the Chinese parties to the Sicomines agreement will cover the difference in case the interest rate charged by the Bank rises higher than the six-month US dollar LIBOR of the 22<sup>nd</sup> April 2008 plus 100 basis points (Avenant 3 2009, p.7, Article 6).

The grace period and the total reimbursement periods were not mentioned in the October 2009 contract amendment. However, as pointed out by Brautigam (2011b, p.214), the IMF capped these itself in its concessionality calculation, using the 25-year period before sovereign guarantee would be invoked as both the grace period and the total reimbursement period. We shall return to a critical assessment of this assumption in section two below.

In sum, the Sicomines controversy ended with the Congolese party accepting to request from the Consortium of Chinese companies that the agreement should be negotiated to conform to the IMF's requests. This has widely been interpreted as a show of force on the side of the IMF. For instance, Marysse and Geenen argue:

“[The renegotiation] demonstrate[s] how powerful the international financial institutions are and how they impact upon the sovereignty of states. The eventual terms of the reformulated agreement perfectly reflect the suggestions that were put forward [by the IMF and the World Bank]: remove the state guarantee in the mining investments, annul the second phase of infrastructure projects and increase the degree of concessionality of the loans for the first phase of infrastructure projects” (2010, p.246).

In a similar vein, Trefon notes:

“As the [Congolese] government was negotiating with the IMF and the World Bank for relief from debt incurred under Mobutu, it gave in to pressure, resulting in a revision [of the Sicomines agreement] in 2009. [...] This revision provides further evidence that Congolese sovereignty is still in a situation of neo-trusteeship” (2011, p.37).

Indeed, the IMF's and the Western donors' deployment of norm-enforcing power was effective in terms of making the Congolese leadership agree to renegotiate the agreement according to the IMF's requirements. However, the October 2009 revisions were insufficient in terms of turning the Sicomines agreement's infrastructure financing facility into a concessional loan. The subsequent section shows that the terms of the agreement remain commercial even after the

renegotiation, and that the IMF had to use what the dissertation terms knowledge manipulation in order to frame the infrastructure financing facility as concessional.

## **2. Knowledge manipulation: the IMF bending its technical parameters**

After the October 2009 revisions of the Sicomines agreement, the IMF calculated the concessionality level of the agreement's infrastructure financing facility using the new, fixed parameters discussed above. It concluded that the grant element was now 46 or 42 percent: 46 percent if the US\$ 350 million signing bonus paid by the Consortium of Chinese companies (Convention de Collaboration 2008, p.8, Article 5.1) was included in the calculation; and 42 percent if it was excluded (IMF 2010a, p.10).<sup>51</sup> Thus, the Sicomines agreement's infrastructure financing facility would now by far meet the concessionality requirements of the IMF's debt limits framework, which stipulates that a loan shall have a grant element of at least 35 percent in order to be considered concessional (IMF 2013b).

In 2011, Brautigam scrutinised this concessionality calculation and pointed out that it rests upon two 'heroic assumptions'. First, as noted above, the IMF used the 25-year period before sovereign guarantee would be invoked as both the grace period and the total reimbursement period (IMF 2010a, p.10). "There is nothing incorrect about this", Brautigam suggests, "as the Government's sovereign guarantee would not be put at risk except in the situation where the mining venture was unable to generate any profits, thus not repaying a penny of the infrastructure loan for 25 years" (2011b, p.214). But it is a "clearly extraordinary assumption", she argues, which creates "an impression that the loan is financed under terms so generous that they look like aid. This is simply not the case" (ibid).

The second of the two 'heroic assumptions' used by the IMF in its concessionality calculation was, Brautigam observes, to frame the signing bonus to be paid by the Consortium of Chinese companies as budget support. Thus, it could be included in the concessionality assessment as a grant, pushing the result of the grant element calculation up to a remarkable 46 percent. The

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<sup>51</sup> The IMF puts the figure for the signing bonus at US\$ 250 million (IMF 2010a, p.10), stating in an unpublished document that the Congolese government will receive a signing bonus of US\$ 250 million while the Congolese mining parastatal Gécamines is to receive a signing bonus of US\$ 100 million (IMF and World Bank n.d., p.1). However, in the contract texts that have been published, I have found no contractual provisions to this effect. The only contractual provision for the signing bonus is Article 5.1 of the 2008 Convention de Collaboration, which states that "the Chinese party commits to disbursing a signing bonus of [...] US\$ 350 million to the Congolese party" (Convention de Collaboration 2008, p.8, author's translation from French). Similar provisions can be found in the *Convention de Joint Venture* from 2008 (p. 25, Article 4.3).



choice to interpret the signing bonus in this way was an equally generous assumption, and an unusual one. "Signing bonuses" Brautigam points out, "are a common feature of natural resource extraction projects, but not public works infrastructure projects" (2011b, p.214).

Brautigam suggests that the grant element for the infrastructure loan should rather come to 33.8 percent. She establishes this figure using the OECD's Development Cooperation Directorate's grant element calculator and the parameters 4.4 percent interest rate, 25 years total reimbursement period and no grace period, excluding the signing bonus from the assessment (2011b, p.215). Brautigam's conclusion in terms of why the IMF used such generous assumptions in its grant element calculation was that they sought to make the Sicomines agreement look more like an aid transaction as the Western donors know it. "Thus", she concludes, "the DRC and its traditional creditors squeezed the complicated Chinese package into categories that were more familiar and acceptable to them" (2011b, p.214).

Brautigam's analysis drew my attention to this instance of knowledge manipulation on the part of the IMF. It has significant implications for how the IMF's ability to set norms in terms of public debt management should be understood. The two 'heroic' assumptions identified by Brautigam, the signing bonus and the 25-year grace period, certainly represent significant generosity on the side of the IMF. As pointed out by Brautigam, signing bonuses are a common feature in oil and mining deals, but do not feature in infrastructure financing arrangements. Given that the IMF's grant element calculation did not concern the mining project's financing arrangement, the organisation made an unorthodox and generous choice when it included the signing bonus as a grant in the assessment of the concessionality level of the infrastructure financing arrangement.

In terms of the second 'heroic' assumption, that of a 25-year grace period, senior civil servants from the Congolese Ministry of Finance's Directorate-General for Public Debt (*la Direction Générale de la Dette Publique*) confirmed in an interview in 2011 that in their view, '*dans cette histoire de Sicomines*' (in the Sicomines case), the IMF did revise the parameters used in the concessionality calculation. I asked them what the IMF revised more precisely. The respondents stated that the organisation changed its way of approaching the timeframe of the project. From the onset, the IMF used shorter time periods in its calculations, the respondents stated, but eventually arrived at the assumption that reimbursement would be made after 25 years.<sup>52</sup>

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<sup>52</sup> Author's interview, 03.05.2011, Kinshasa (Interview #18)

This assumption actually represents even more of a silent compromise on the part of the IMF than Brautigam suggests. It is technically correct in the sense that the Congolese government will not be called upon to pay off the entire debt unless the mining venture has not generated enough profits to repay the loans by 2032. As the staff of the IMF and the World Bank themselves point out in an unpublished document (IMF and World Bank n.d., p.2), such a scenario is unlikely to occur given the sustained demand for copper and cobalt in the world economy.

However, there is another parameter which makes the assumption of a 25-year grace period null and void, namely the generous tax exemptions accorded to the Sicomines joint venture. These tax exemptions, discussed below, were not catered for in the IMF's concessionality calculation. As we shall see, this was a generous choice on the side of the IMF since it meant that the credit line was portrayed as having a significantly higher grant element than it actually has.

Certainly, the IMF does not generally cater for tax exemptions in its concessionality calculations. The reason for this is that the development finance offers whose level of concessionality the organisation usually assesses are regular loans from Western and African development finance providers. Such loans are reimbursed via the state budget and not by means of the profits from a mining project. As I shall argue below, the profits to be generated by Sicomines' mining project will be boosted by the tax exemptions accorded to it. Thus, they have to be catered for in order for the concessionality calculation to correctly reflect the capital costs incurred by the borrower for the loan contracted.

Namely, the tax exemptions are such that while the Sicomines joint venture is reimbursing the loans incurred to capitalise the mining project and the infrastructure projects, the DRC grants "[t]otal exemption from all levies, fees, taxes, customs duties, royalties, directly or indirectly, domestically or when importing or exporting, payable in the DRC and those linked to the mining activities or to the development of infrastructure" (Convention de Collaboration 2008, p.19, Article 4.2.1, author's translation from French).

Moreover, the DRC also grants "exemption from fees and payments related to the application for, granting of, transfer and handover of mining rights and mining titles, exploration licenses and exploitation licenses" and "exemption from royalty fees related to the mining exploitation" (Convention de Collaboration 2008, p.20, Articles 4.2.2 and 4.2.3, author's translation from French).

These are significant tax exemptions not enjoyed by most of the mining companies operating in the DRC. Prior to 2002 when the DRC's current Mining Code entered into force, mining ventures were mostly regulated in contract texts termed *convention minière*. The system of *convention minière* gave Congolese authorities far-reaching authority to take discretionary decisions regarding the terms of individual mining ventures, and many of the convention minière provided companies with highly beneficial terms. Today, only a few mining companies with longstanding operations in the DRC operate according to the old *convention minière* system.<sup>53</sup>

After the DRC's new Mining Code entered into force in 2002, all new mining contracts are, at least in theory, subject to the rules stipulated in the Code, including the regulations for taxes, royalties and fees. (Mazalto 2005, p.18; Talla 2010) The Sicomines joint venture is also subject to the Code in terms of non-fiscal matters such as environmental safeguards, but is exempt from the Code's fiscal regime until its loans have been reimbursed.<sup>54</sup> This exemption had to be safeguarded in a specific Congolese law voted in February 2014 (DRC, 2014, Article 28). These generous tax exemptions were, for reasons unknown, not restricted in the 2009 renegotiations, which otherwise sought to amend the terms of the agreement in favour of the DRC.

Given the wide range of taxes involved, it is difficult to gauge the exact value of the exemptions. Certain observers have made estimates to this effect, putting the figure at a minimum of US\$ 6.4 billion (Budimbwa 2008) or US\$ 20 billion (Marysse & Geenen 2009, pp.382–383, 387). These estimates are based on two assumptions, namely that all conventional taxes paid reach the coffers of the state, and that the only taxes payable by mining companies in the DRC are those stipulated in the Mining Code. The accuracy of such estimates is compromised by the fact that in the DRC, many fees and taxes are settled informally in negotiated transactions between civil servants on the one hand, and citizens and companies on the other (Trefon 2007; Baaz & Olsson 2011). Representatives for both Western and Chinese mining companies testified in interviews in 2008 and 2011 that they spend significant time and energy negotiating blatantly illicit fees and fines issued by different Congolese government agencies.<sup>55</sup> It is therefore difficult to know beforehand how much tax the Sicomines joint venture is actually exempt from.

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<sup>53</sup> Author's interview with Elisabeth Caesens, Project Manager, Carter Center Lubumbashi, 21.11.2012, Kinshasa (Interview #19).

<sup>54</sup> Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, stated in an interview (04.12.2012, Kinshasa, interview #26) that the Mining Code's fiscal regime will apply to Sicomines after its loans are reimbursed. However, exactly how the Mining Code's fiscal regime will apply is not made explicit in any of the contract texts pertaining to the Sicomines joint venture that had been made public on the website of the DRC's Ministry of Mines when the final fieldwork for this dissertation was conducted.

<sup>55</sup> Author's interview with a representative of one of the large, Western companies operating in the DRC, 18.02.2011, Kinshasa (Interview #20); and interviews by the author and Wenran Jiang with owners and managers of Chinese copper and cobalt processing plants, 09.09.2008-13.09.2008, Lubumbashi.

Nonetheless, it is significant amounts which the Sicomines joint venture can, if it wishes to, use to repay the loans taken up to capitalise both the mining project and the infrastructure projects. I base this argument on the assumption that the lower a company's operating costs, including payable taxes, royalties and fees, the higher the profits. The exemptions are likely to accelerate the reimbursement pace even if Sicomines does not choose to direct all the resources saved by means of the tax exemptions towards loan repayments. In other words, by means of the tax exemptions, the Congolese state indirectly pays a share of the capital costs incurred by the Sicomines joint venture to finance both the mining project and the infrastructure projects.

This Congolese state contribution will start as soon as the mine starts generating revenues for which Sicomines would have paid taxes unless they were exempt from them. Production at the mine is estimated to start by the end of 2015,<sup>56</sup> and is likely to start generating profits, thus repaying the loans, a few years after that. Work on the first five infrastructure projects financed within the framework of the Sicomines agreement started in 2009.<sup>57</sup> It can reasonably be assumed that 2009 was also the year when the loans to finance these projects were disbursed, given that the release of funds is often the stumbling block for work on infrastructure projects to start. If we assume that the mining project starts generating profits in 2018 for which it would have paid taxes unless they were exempt from them, then 2018 is the year when the Congolese government will start contributing to the reimbursement of Sicomines' loans. This means that the grace period for the Congolese government's contribution to the reimbursement of Sicomines' loans would be approximately 9 years rather than 25 years.<sup>58</sup>

For reasons mentioned above, it would certainly be a challenge to pin down the exact monetary value of the tax exemptions. I do not attempt to do so here, but it would be necessary to do so in order to make a correct estimation of the grant element. It is not known why IMF staff did not include this parameter in their concessionality calculation. Perhaps they did not see that it has an

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<sup>56</sup> Author's email conversation with Moise Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 28.01.2014.

<sup>57</sup> Projects for which work started in 2009 are: refurbishment of the road between Lubumbashi and Kasomeno in Katanga province (137 km, US\$ 138 million); refurbishment of Tourism Avenue, Kinshasa (7.25 km, US\$ 24.3 million); refurbishment of Lutendele road, Kinshasa (4.56 km, US\$ 21 million); construction of the new central hospital in Kinshasa (450 beds, US\$ 99.9 million) and refurbishment of the Boulevards Triomphale and Sendwe, Kinshasa (4.3 km, US\$ 29.2 million). Sources: ACGT, 2011, pp. 44–56; EITI, 2013, p. 91; and author's interviews with representatives of Sinohydro (28.11.2012) (Interview #21) and CREC (03.12.2012) (Interview #13).

<sup>58</sup> The grace period could be assumed to start even earlier, as soon as Sicomines started importing material, given that the tax exemption also concerns import duties. However, for the purposes of this chapter's analytical exercise, an assumption of 9 years is used because the lion's share of tax revenues would probably accrue from the mining operation.

impact on the grant element, or they excluded it because of the difficulty in pinning down an exact figure. More likely, however, they deliberately avoided it as part of an ambition to make the grant element calculation as generous as possible. At any rate, the implication of the IMF's choice to exclude the tax exemption from the concessionality calculation is that the credit line is portrayed as having a significantly higher grant element than it actually has.

Using IMF's own grant element calculator (IMF 2014a), I calculated the concessionality level of the infrastructure financing facility using parameters that better reflect the actual contractual provisions. As indicated in Figure 1 below, I put the parameter 'grant as part of financing package' to zero, thus removing the signature bonus from the calculation. I used a total loan amount of US\$ 3 billion, a 9-year grace period, a 25-year total reimbursement period, an interest rate of 4 percent, and the parameter 'annuity' (yearly payments) as repayment profile rather than the option 'lump sum principle & compounded interest', which is the assumption that the IMF uses in its concessionality calculation (IMF 2010a, p.10).

The latter assumption would have been correct had the grace period been 25 years with a once-off settlement when the sovereign guarantee was invoked. However, the 'annuity' option is more appropriate here given that without the tax exemption, the Sicomines joint venture would have made annual tax payments to the Congolese state. Thus, the Congolese state contributes to the Sicomines joint venture's loan repayments on an annual basis.

As indicated in Figure 1 below, using these parameters, the grant element of the infrastructure financing facility comes to 14.5 percent. This figure is significantly lower than the IMF's 35 percent threshold for concessional loans, and vastly lower than the 42 or 46 percent suggested by the organisation in its own concessionality calculation. The figure proposed here is certainly tentative, but the point here is not to put forward a certain, alternative grant element figure. Instead, the aim is merely to highlight that the grant element figure put forward by the IMF is overly generous. The subsequent section argues that the IMF bent the grant element parameters in this way for political reasons: it was necessary for the organisation to portray the Sicomines agreement as concessional in order to shoehorn it into the debt relief process.

**Figure 7: Author's calculation of the grant element for the Sicomines agreement's infrastructure financing facility using the IMF's grant element calculator**

The screenshot shows the IMF's Grant Element Calculator interface. The browser address bar displays [www.imf.org/external/np/pdr/conc/calculator/default.aspx](http://www.imf.org/external/np/pdr/conc/calculator/default.aspx). The interface is divided into two main sections: 'Input' and 'Results'.

**Input Section:**

Currency	U.S. Dollar
Repayment profile	Annuity
Face value of loan	3,000,000,000
Grant (as part of financing package)	0
Upfront commission (in percent)	0 %
Management fees	0 %
Interest rate (in percent)	4 %
Maturity (in years)	25
Payments per annum	1
Grace period (in years)	9

A 'Go' button is located below the input fields.

**Results Section:**

Discount rate (in percent)	5.28 %
<b>Grant element (in percent)</b>	<b>14.49 %</b>

A 'Reset' button is located next to the grant element result.

Source: IMF, 2014

### 3. Why did the IMF have to use the strategy of knowledge manipulation?

As noted, Brautigam's conclusion in terms of why the IMF used such generous assumptions in its grant element calculation was that the organisation sought to make the Sicomines agreement look more like an aid transaction as Western donors know it (2011b, p.214). Brautigam is certainly right on this point, but she does not delve deeper into the reasons why the IMF would put so much effort into a framing exercise. This dissertation argues that the IMF engaged in such knowledge manipulation out of political necessity to portray the Sicomines agreement's infrastructure financing facility as concessional and thus compatible with the IMF's public debt norm and the debt relief process.

I argued in chapter four that I view the IMF as a 'mechanism of hegemony' whose power is rooted in the material capabilities of the organisation's largest shareholders. Thus, I argued that the IMF's actions at the fringes of hegemony largely follow the agenda of its most influential stakeholders. Constructivists and scholars drawing on principal-agent theory argue that the IMF's

staff and their ideas and agency play crucial roles in terms of determining the organisation's actions. Indeed, the current chapter has shown that IMF staff did engage in ingenious problem solving to shoehorn the Sicomines agreement into the debt relief process. Ensuring that a country benefits from debt relief is also considered a career achievement for IMF staff. As noted by a well-placed respondent:

“There is certainly an element of prestige for a mission chief or a country team that assists a member country reach the Completion Point. But at the end of the day, the actions and measures undertaken are solely determined by the member country authorities and they are the ones to whom any credit should be given.”<sup>59</sup>

The career considerations of IMF staff members may thus have been an additional driving force for them to pursue the silent compromise to make sure that the DRC would reach completion point. However, I see this as a marginal factor. Instead, it was because of the pressure from the DRC's most important donors, who are also influential actors on the IMF board, that the IMF deployed its epistemic authority through knowledge manipulation.

This dissertation understands the IMF's knowledge manipulation effort as aimed at safeguarding the organisation's public debt norm. Without the silent compromise, the Sicomines agreement's infrastructure financing facility would have had to undergo far more substantial revisions in order to comply with the IMF's public debt norm, and thus with the debt relief process to which the DRC's Western donors attributed such political importance at the time. The maximum lending amount or the interest rate would have had to be set to a lower level, or the tax exemptions would have had to be revised or abolished altogether.

Such demands would have been politically impossible for the IMF and the Western donors to make at this point. The Sicomines controversy played out during 2008-2009, a period of time when the global economic downturn hit the developed economies hard. Many Western donors saw their budgets reduced and even though the role of the IMF was reinvigorated in the wake of the global financial crisis (Chwiero 2010, p.7; Park & Vetterlein 2010, p.xii), neither that organisation nor the Western donors could mobilise funds for post-conflict reconstruction in the DRC of the magnitude that the Sicomines agreement would bring in. This set political limits to the demands that the IMF and the Western donors could put forward in terms of downsizing the Sicomines agreement.

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<sup>59</sup> Author's telephone interview, 30.04.2013 (Interview #7)

Thus, to move forward with the debt relief process, IMF staff had to find another way to make the Sicomines agreement compatible with the organisation's public debt norm. As I see it, knowledge manipulation became the solution to this political predicament. In an interview in 2011, I asked Samir Jahjah, resident representative of the IMF in the DRC from 2009 to 2012, how the IMF staff approached calculating the grant element of the Sicomines agreement's infrastructure financing facility. Jahjah commented:

“Well, we tried to find a solution to help them. In the beginning we saw the contract in a monolithic way, but then we deconstructed the package in its constituents. [...] The problem just in general with this case was that the normal calculation methods did not apply since it was a contract with a special structure, with a government guarantee that would only kick in at the end of the mining project. So we had to adjust the model to calculate the grant element.”<sup>60</sup>

The fact that the Sicomines agreement has, as Jahjah put it, a ‘special structure’, means that it was possible for the IMF to bend the parameters of the calculation without any of the other Paris Club donors noticing, or at least not protesting publically against it. Staff of any of the relevant Western donor agencies could certainly have scrutinised the grant element calculation in a similar vein as Brautigam and I have done and noted that the terms of the infrastructure financing facility remain commercial even after the October 2009 renegotiation. However, such analysis does not appear to have been conducted, or at least, concerns to this effect have not been publically voiced.

Instead, after the Sicomines agreement was renegotiated in October 2009, the massive pressure that had come from the Western donors for the DRC to revise the ‘China deal’ quietened and the DRC entered into an IMF programme, signing a 3-year Extended Credit Facility arrangement in December that year (IMF 2009c). As HIPC completion point was reached on the 1<sup>st</sup> July 2010, the IMF and the World Bank announced that the DRC would be granted a total of US\$ 12.3 billion in debt relief.<sup>61</sup> US\$ 7.35 billion of bilateral debt relief was subsequently granted by the Paris Club donors on the 17<sup>th</sup> November 2010 (Paris Club 2010; Kavanagh 2010).

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<sup>60</sup> Author's interview, 06.05.2011, Kinshasa (Interview #22).

<sup>61</sup> Of this, US\$ 491 million would come from the IMF, US\$ 1.8 billion from the World Bank's International Development Association and the remainder from bilateral and commercial creditors (IMF 2010b).



It is politically sensitive for creditors to be seen as relinquishing their demands upon debtors to the benefit of other creditors. For instance, when the debt relief initiative was devised in the 1990s, it was necessary for the UK as a debt relief proponent to gain support for a debt relief policy among the other Paris Club creditors “because a unilateral cut by the UK would have resulted in a redistribution of debt interest payments away from the UK to other creditors - which would have been politically difficult” (Evans 1999, p.270).

In a similar vein, according to a well-placed respondent who followed the developments in the DRC closely during 2009, the Paris Club creditors would not have agreed to provide debt relief to the DRC had they thought that the country was simultaneously contracting non-concessional debt of equivalent amounts elsewhere.<sup>62</sup> In the light of this, I argue that the Paris Club donors' acceptance of the IMF's grant element calculation indicates that their primary concern was to safeguard the debt relief process as such and to manage the political sensitivities surrounding it, rather than the rhetorically stated goal of catering for the DRC's debt sustainability situation.

Certainly, the staffs of Western donor organisations do not often challenge the IMF's analyses in general. As noted in chapter one of this dissertation, the IMF plays a gatekeeper role in African countries. Many bi- and multilateral donors rely on the IMF's assessment of a country's commitment to reform or its macroeconomic performance as conditions precedent for decisions on disbursement of loans or grants. As I have stressed in my conceptualisation of IOs as ‘mechanism of hegemony’, such use of expertise and information is an important source of power for international organisations in general. This epistemic authority was particularly pronounced in the case of the Sicomines agreement, given the lack of knowledge among Western donor staff of the modalities of Chinese development finance. This enabled the IMF to frame the infrastructure financing facility as concessional even though it is not.

When the decision was taken to grant the DRC debt relief in 2010, the IMF and the World Bank concluded that the country “has implemented the policy measures (“triggers”) required to reach the completion point, a stage in which debt relief from both the HIPC Initiative and MDRI becomes irrevocable” (IMF 2010b). De Herdt argues that this is a Pollyannish reading. “[H]owever the “final” indicators of poverty and development might have evolved”, he comments, “the relationship between their evolution and the actions of the [Congolese] state cannot but be tenuous, if at all it would exist” (2012, p.14). Instead, de Herdt finds that the

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<sup>62</sup> Author's telephone interview, 30.04.2013 (Interview #7).

assessment by the IMF and the World Bank of the DRC's performance in terms of the debt relief triggers was conducted in the spirit of what Mosse (2004, p.640) terms 'future positive':

"The future imagined by the international community [for the DRC] was one of pacification, state reconstruction and poverty reduction, connected to each other in a virtuous triangle: helping the state to reduce poverty would bring a peace dividend, stimulating people to end the war. A more pragmatic reading suggests that pacification was the prime concern and that a state-led strategy of poverty reduction was the keyword to get the DRC "on track" in the debt relief process, so that new aid money could be mobilized. The imagined 'future positive' created an unholy alliance between geopolitical interests, international creditors and the aid industry." (De Herdt 2012, p.17)

De Herdt argues that the IMF's interpretation of the DRC's reform performance as 'satisfactory' in 2010 represents an instance of the organisation producing 'policy-based evidence'. "Given the policy-setup", de Herdt notes, "the policy-based evidence of the DRC's well-implemented pro-poor policy was needed not to fail the policy model" (2012, p.14). I find that the IMF's silent compromise in terms of the concessionality level of the Sicomines agreement's infrastructure financing facility forms part of this broader tendency whereby the IMF produced 'policy-based evidence' to ensure that the DRC would reach HIPC completion point and benefit from debt relief.

#### **4. Chapter summary**

In this chapter, I have explored why the IMF deployed both norm-enforcing power and epistemic authority to counter the Chinese challenge to that organisation's public debt norm in the DRC. I showed that the IMF was able to deploy norm-enforcing power and coerce the DRC into renegotiating the agreement according to the IMF's requirements because of the DRC's need for debt relief, budget support and post-conflict reconstruction, and given that the IMF had a powerful position as a lender of last resort and a gatekeeper for both debt relief and public and private development finance inflows.

However, the IMF also deployed its epistemic authority to counter the Chinese norm challenge. The reason for this was that at this point in time, neither that organisation nor the Western donors could mobilise funds for post-conflict reconstruction in the DRC of the magnitude that the Sicomines agreement would bring in. The financial clout that underpinned the Chinese norm

challenge was thus greater than that of the IMF and the most influential countries on its board. This set political limits to the revisions that the IMF and the Western donors could coerce the DRC into making, and knowledge manipulation thus became the most appropriate strategy for shoehorning the Sicomines agreement into the debt relief process. Specifically, the IMF tweaked the organisation's debt limits framework, conducting a grant element calculation so generous that the credit line to be extended by means of the Sicomines agreement was portrayed as highly concessional, which it is not. Thus, the IMF was able to shoehorn the Sicomines agreement's commercial development finance offer into the HIPC debt relief process.

## Chapter 7: The IMF's public debt norm challenged

The fourth and last empirical chapter devotes attention to the following working question:

*WQ 6: What was the outcome of China's challenge to the IMF's public debt norm in the DRC and in other African countries?*

### 1. Successful norm challenge

The IMF's efforts at performing *transformismo* in the DRC to co-opt the Chinese counter-hegemonic public debt norm was successful in the sense that the organisation deployed the strategy of knowledge manipulation and made it look like the revised Sicomines agreement conformed to the IMF's public debt norm. However, in reality, as shown in the previous chapter, the Sicomines agreement did impact on the IMF's power to set norms in terms of public debt management in the DRC. As I shall show in this section, this successful Chinese norm challenge continued in other African countries as well and led to a formal revision of the IMF's public debt norm.

In November 2009, a month after the settlement of the Sicomines controversy in the DRC, the Angolan government managed to include a clause in its Stand-By Arrangement with the IMF which renders the limits placed upon the country's non-concessional borrowing flexible and open to review "in the event that concessional loans to Angola fall short of our expectations to avoid jeopardizing our vital infrastructure reconstruction process" (IMF 2009a, p.39). I understand this as a compromise to the IMF's public debt norm similar to that which the organisation made in order to keep a seat at the table in the DRC. A propos this clause, Corkin notes:

"It is probable that the IMF conceded to such wording in order to maintain dialogue and engagement with the Angolan government, from which it had become increasingly estranged since 2002 following the collapse of negotiations and the entrance of new lenders such as China" (2013, p.94).

The compromise in Angola took place only a month before the IMF revised its public debt norm. In December 2009, the organisation put in place a new debt limits framework which is characterised above all by flexibility (IMF 2013b). It allows countries to lend on commercial

terms to a greater extent within the framework of their IMF programme, also countries with low macroeconomic and public financial management capacity and high debt vulnerability. With regards to the concessionality requirements of lower capacity countries, the IMF notes:

“Nonconcessional borrowing should be *truly exceptional*. Under this approach, the Fund may assess on a case-specific basis whether an envisaged combination of financing instruments can be treated as a package for purposes of meeting concessionality requirements.” (IMF 2013b, emphasis added)

As a benchmark for when countries should be allowed to contract nonconcessional loans within the framework of their IMF programmes, ‘truly exceptional’ is vague. As I see it, this imprecision was deliberately integrated into the framework in order to avoid the situation faced by the IMF in the DRC during the Sicomines controversy, where the grant element limit was fixed and the organisation had to engage in knowledge manipulation in order to accommodate the politically significant Chinese credit line. In the new dispensation, it seems like the IMF deliberately chose to use an indistinct turn of phrase in order to accommodate Chinese commercial development finance offers if needed.

Furthermore, the quotation above shows that in the revised debt limits framework, the IMF opens up also for countries with low macroeconomic and public financial management capacity and high debt vulnerability to contract so-called package financing. I regard this as a direct result of the challenges mounted by Chinese commercially structured ‘financing packages’ to the IMF’s public debt norm. Reilly and Brautigam (2013) also suggest that the 2009 revisions to the IMF’s debt limits framework may have been made to cater for Chinese commercial development finance offers:

“Some believe that Chinese influence was important in loosening the strict rules for non-concessional debt adopted under the World Bank and IMF’s Debt Sustainability Framework. Certainly, Chinese banks have largely been the beneficiaries of this, as it has allowed former highly indebted poor counties (HIPC)s to take out new, non-concessional loans, from China. If true, this would be an important aspect of norm-changing.” (2013, p.28)

Indeed, observations made by Brautigam at a World Bank ‘learning event’ on China-Africa in May 2014 support this further. She notes:

“[An IMF official] noted that the IMF Board has had “intense debate” on the debt limits policy (a post-HIPC innovation). “The debate has been heavily influenced by the way China has been approaching Africa. And that’s all to the good.””(Brautigam 2014)

The IMF's compromises to accommodate Chinese commercial development finance offers continued even after the formal revisions to its debt limits framework. In September 2010, ten months after the revisions, a memorandum of understanding was signed between the Ghanaian government and China Development Bank for a master facility agreement of US\$ 3 billion. This credit line was intended to finance infrastructure projects in the transport, social and gas extraction sectors.

In the same vein as the credit line under the Sicomines agreement, this particular credit line was to be disbursed in tranches, and the exact projects to be funded were to be negotiated gradually. In August 2011, the members of parliament from Ghana's ruling party approved the master facility agreement, and the first project to be financed by means of the agreement was a US\$ 850 million gas processing project linked to Ghana's Jubilee offshore oil field. (Africa-Asia Confidential 2011; Want China Times 2012)

Just like in the case of the Sicomines agreement, the China Development Bank loan to Ghana became the subject of a controversy with the IMF. The Extended Credit Facility that Ghana had signed with the IMF in 2009 included a requirement that Ghana would not contract more commercial debt than US\$ 800 million, a ceiling which the China Development Bank loan would exceed by US\$ 50 million (Africa-Asia Confidential 2011, p.1). A political controversy ensued, in which President Atta Mills is quoted as having stated that the Chinese credit line was to be retained, “even if it involves walking out of the IMF” (Ghanaweb 2011). However, like the DRC, Ghana is a highly aid dependent country (Whitfield & Jones 2009), and the likelihood of its leadership actually walking out on the IMF was probably fairly low.

But because Ghana reached HIPC completion point already in 2004 (IMF 2004), the IMF probably had limited ability to exercise norm-enforcing power and coerce Ghana into downsizing the China Development Bank credit line. Thus, as happened in the DRC, the outcome of the controversy in Ghana was that the IMF modified its parameters to accommodate the loan from China Development Bank. The IMF's press release from December 2011 states:

“The Board also approved a modification of a performance criterion related to Ghana's nonconcessional borrowing limit to provide additional room for scaled-up infrastructure

investment [since] debt sustainability analysis suggests scope for higher nonconcessional borrowing” (IMF 2011b).

After the IMF's endorsement, the Ghanaian parliament approved the agreement in February 2012 and the US\$ 3 billion credit line was signed by the Ghanaian and Chinese parties in Beijing in April 2012. (Moody & Nan 2012) This compromise on the side of the IMF was in line with the revised debt limits framework, but it remains noteworthy because it was only made after the terms of the IMF's Extended Credit Facility had been challenged by the China Development Bank credit line. This shows that the IMF still seeks to set norms in terms of public debt management to the greatest extent possible and that it will only compromise its public debt norm when faced with a specific challenge, such as a Chinese commercial development finance offer.

This may indicate that the specific public debt management requirements with which each individual country has to comply are not determined according to a set procedure that applies evenly to all such countries. More probably, these requirements are revised in a dynamic, political process where the availability of Chinese commercial development finance offers impact crucially on the way in which the IMF implements its public debt norm. In other words, the IMF does not make compromises to its public debt norm unless a challenge with a more significant material basis emerges, such as a Chinese commercial development finance offer. As we shall see in the subsequent section, my observations around the dynamics in the relation between the IMF and the DRC after the settlement of the Sicomines controversy support this argument.

## **2. ‘We’re just a phone call apart now’: Post-conditionality dynamics in the IMF-DRC relation**

All countries joining the IMF commit to sharing relevant information with the organisation (IMF 2011a, pp.24–25, Article VIII, Section 5). At the time when the Sicomines agreement was signed, the DRC's leadership was well aware of these requirements. In a June 2006 Letter of Intent signed by President Kabila himself, the DRC requested starting a staff monitored programme<sup>63</sup> with the IMF after the country's Poverty Reduction and Growth Facility programme had been terminated.

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<sup>63</sup> A staff monitored programme is “an informal agreement between country authorities and Fund staff to monitor the implementation of the authorities' economic program. [Staff monitored programmes] do not entail financial assistance or endorsement by the IMF Executive Board” (IMF 2014d). Completing a staff monitored programme is often a first, important step for a country that seeks to normalise its relations with the IMF.

In the Memorandum of Economic and Financial Policies attached to the Letter of Intent, the DRC committed to a zero ceiling on “the contracting or guaranteeing of new nonconcessional external debt with original maturity of more than one year by the government” (IMF 2006a, p.13). The Technical Memorandum of Understanding, also attached to the Letter, stated that “[t]he authorities will forward to the IMF's African Department [...] the data and information needed to monitor program implementation” (IMF 2006a, p.18). The information that the DRC committed to sharing included monthly reports on new loans contracted (IMF 2006a, p.20).

However, these provisions were disregarded when the Sicomines agreement was signed. First, as shown above, the terms of the credit line brought in by the agreement were and remain non-concessional. Second, information around the agreement did not reach the IMF through the appropriate channels. Namely, the IMF's Articles of Agreement stipulate that the member countries shall interact with IMF staff through its central bank, its treasury, a stabilisation fund or a similar fiscal agency (IMF 2011a, p.8, Article V, section 1). Therefore, in the DRC and elsewhere, the IMF's usual interlocutors are the Central Bank and the Ministry of Finance (IMF 2009d, p.124). It is these agencies that are tasked with providing the IMF with the information it requires, including data on new public debt.

However, in the case of the Sicomines agreement, the roles were reversed: it was IMF staff who informed the Minister of Finance about the existence of a new loan agreement. IMF staff had in turn been informed by the Minister of Infrastructure that such an agreement had been signed.<sup>64</sup> Together with other close collaborators of President Kabila, the Minister of Infrastructure had negotiated the Sicomines agreement without the implication of relevant line ministries such as Finance, Economy and Budget (Global Witness 2011, p.18). A telling indication of this is that it was the Minister of Infrastructure and not the Minister of Finance who signed the initial memorandum of understanding that established the Sicomines agreement in 2007 (Protocole 2007, p.7).

The interpretations diverge in terms of why President Kabila chose to contravene the IMF's requirements so flagrantly. The explanations emerging from interviews and informal conversations in this regard resemble the interpretations discussed in chapter six as to why President Kabila defied renegotiation of the Sicomines agreement for so long. Some respondents<sup>65</sup> suggested that President Kabila had a binary worldview and perceived it as unlikely

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<sup>64</sup> Author's telephone interview with a well-placed respondent with first-hand insight into the developments during the Sicomines controversy, 30.04.2013 (Interview #7)

<sup>65</sup> I do not refer to specific interviews in these two paragraphs. The different interpretations of President Kabila's behaviour emerge both from formal interviews as well as from a large number of informal conversations conducted



that the DRC would ever benefit from debt relief and again be able to access finance from Western donors. From this perspective, it made more political sense to enter into a Chinese financing arrangement rather than complying with the IMF's requirements for public debt management.

Other respondents suggested that President Kabila was well aware of the strong political will, analysed in chapter four of this dissertation, of the IMF and the Western donors to ensure that the DRC would gain debt relief. Therefore, this group of respondents argued, Kabila trusted that he would be able to secure both the Sicomines agreement and debt relief even though he had contravened the IMF's requirements.

At any rate, after the renegotiation of the Sicomines agreement in October 2009, a clear change could be discerned in terms of the readiness of the DRC's leadership to comply with the IMF's requirements in terms of public debt management and information sharing. In an interview in 2011, I asked Samir Jahjah, resident representative of the IMF in the DRC from 2009 to 2012, how the relations between the IMF and the DRC had developed after the settlement of the Sicomines controversy in 2009.

Jahjah noted that there is definitely a 'before' and an 'after' Sicomines in terms of the willingness on the part of the leadership of the DRC to meet the IMF Program's debt sustainability requirements and improve public debt management. As a result, information sharing improved, and the authorities ensured that new public debt met the IMF's concessionality requirements. According to Jahjah, from December 2009 until May 2011, the IMF had been made aware of all new public debt that the DRC intended to take up. The amendments to make subsequent loan agreements concessional were addressed promptly by the Congolese authorities.<sup>66</sup>

After the renegotiation of the Sicomines agreement in October 2009, the Ministry of Finance again became a central actor in terms of public debt management in the DRC. The third and final amendment to the Sicomines agreement was signed jointly by the Ministers of Finance, Budget and Infrastructure (Avenant 3 2009, p.11). Two senior civil servants from the Ministry of Finance confirmed in interviews in April 2011 that the relations between that Ministry and the IMF's office in Kinshasa were at that point '*au top*' (great).<sup>67</sup> One of the respondents stated:

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in the DRC and elsewhere between 2009 and 2012. It is therefore not feasible to provide a comprehensive list of the respondents consulted.

<sup>66</sup> Author's interview, 06.05.2011, Kinshasa (Interview #22).

<sup>67</sup> Author's interviews, 29.04.2011, Kinshasa (Interviews #23 and #24)

“Because the IMF is going to evaluate the country's performance in any case, it is better to contact them and consult them before. This is also to avoid misreporting. [...] We are partners with the IMF [...] it would be mean to sign contracts before consulting them. But there is no formal request, ‘please find attached the contract’... that would be a waste of time, so instead I call directly, that avoids heavy administration. It is rather a matter of calling Samir [Jahjah] to say ‘listen, we’re about to sign this contract, we send it to you but we think it looks good’. [...] At the same time it is not informal, it says in the Letter of Intent that the DRC has to share information. So these are real information exchanges.”<sup>68</sup>

Thus, the settlement of the controversy around the Sicomines agreement in fact ushered in a post-conditionality phase in the relations between the DRC and the IMF. This is a significant change compared to the flagrant disregard displayed by the DRC's leadership for the IMF's requirements prior to October 2009. In the words of one well-placed respondent:

“Solving the Chinese portfolio showed that [the IMF was] not there to block the authorities' infrastructure projects”.<sup>69</sup>

It was suggested in several informal conversations throughout my fieldwork that by ensuring that President Kabila could keep the Sicomines agreement – his flagship project – while also moving ahead with the debt relief process, the IMF had gained credibility with the President and his entourage. Even the latter group of people had now realised that it was actually possible for the DRC to gain debt relief.

Thus, at this time, there was broad political commitment in the DRC to the IMF programme and IMF's public debt norm, and the DRC's leadership consented to some of the elements of the IMF's public debt norm. However, as pointed out by Harrison, conditionality lingers also during a post-conditionality phase. As I see it, the DRC's leadership adhered to the IMF's public debt norm for the most part because this had become the most sensible thing to do strategically. Thus, the relation never warranted a place at the ‘consent’ end of the coercion-consent continuum.

The movement into a post-conditionality phase is noteworthy given that prior to the Sicomines controversy, the IMF was poised to start exercising power to set norms in terms of public debt management but had not yet re-established relations with the DRC's leadership. Thus, even though Chinese commercial development finance offers challenge the IMF's power to set norms

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<sup>68</sup> Author's interview, 29.04.2011, Kinshasa (Interview #24). Author's translation from French

<sup>69</sup> Author's interview, 17.12.2012, Brussels (Interview #6)

in terms of public debt management in general, in the individual case of the DRC, the Sicomines controversy actually helped to strengthen the IMF's power in the medium term.

This section has delved into the first of the two reasons for this development, namely that the IMF's efforts to ensure that the DRC would gain debt relief had significantly improved the organisation's relations with that country's leadership. This provides support for Taylor's (2004) argument that when the IFIs push policy initiatives that can be understood as progressive, they also fabricate consent for their overall policy agenda. The following section discusses the second reason why the IMF's power to set norms in terms of public debt management in the DRC was strengthened after the Sicomines controversy, namely that the Chinese norm challenge in the DRC was not lasting.

## **2.1 The Sicomines agreement: a one-off Chinese norm challenge in the DRC**

China will only challenge the IMF's public debt norm as long as Chinese commercial development finance offers materialise. After the settlement of the controversy around the Sicomines agreement, the IMF's public debt norm has not been challenged in the DRC because no Chinese commercial development finance offer has since been proposed to that country. Between October 2009 when the Sicomines agreement was renegotiated and January 2013 when the final fieldwork for this dissertation was conducted, only two Chinese credit lines were extended to the DRC. As discussed in chapter five of this dissertation, they were both China Exim Bank credit lines offered in 2011 on concessional terms as part of the Chinese development aid programme.

The first was a US\$ 360 million loan extended to finance the construction of a hydroelectric dam, Zongo II, and the second was a US\$ 60 million loan extended to finance the refurbishment of the runway at Kinshasa's N'Djili airport.<sup>70</sup> Given that these credit lines were offered on concessional terms, they did not challenge the IMF's public debt norm. During my fieldwork, I probed deeper into the question of why no new Chinese commercial development finance offers have been proposed to the DRC after 2009. Was this an instance of China 'learning global norms' and adapting to the IMF's public debt norm?

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<sup>70</sup> Author's interview with a diplomat from the Chinese Embassy in the DRC, 12.10.2012, Kinshasa (Interview #4).

After all, according to the US Embassy in Kinshasa, the IMF's then Managing Director Dominique Strauss-Kahn towards the end of the Sicominex controversy in May 2009 had “offered to use his good offices [his prestige/influence] to engage with the Chinese on the issue [of the China agreement], a change in the IMF's previous position” (US Embassy Kinshasa 2009). This led me to explore whether such engagement by Strauss-Kahn had actually taken place. If so, had the Chinese high-level stakeholders become convinced that the IMF's public debt norm was a more appropriate approach to the public debt management of developing countries than the Chinese public debt norm?

Such high-level engagement around the Sicominex agreement does not seem to have materialised, however. A well-placed respondent with insight into the developments in 2009 stated that direct talks concerning Sicominex never occurred between Managing Director of the IMF and his high-level Chinese counterparts. The discussions around the Sicominex agreement, the respondent stated, remained at a bilateral level between IMF staff and the Congolese leadership and were never extended to involve any higher-level Chinese officials.<sup>71</sup> Another well-placed respondent confirmed this, stating that the IMF, in its capacity as economic advisor to member governments, discussed the implications of the Sicominex agreement for the DRC's debt sustainability with that country's leadership. The discussions did not involve the Chinese party, since the agreement was a bilateral matter between the DRC authorities and their Chinese counterparts.<sup>72</sup>

During the same period in which the controversy around the Sicominex agreement was unfolding in Kinshasa, negotiations were underway for China to make a sizeable contribution to the IMF's recapitalisation. The announcement by the IMF's then Managing Director Strauss-Kahn that China had signalled its willingness to invest US\$ 50 billion in IMF notes was made on June 9, less than three weeks after his visit to Kinshasa (IMF 2009e). The final agreement under which the People's Bank of China committed to purchase IMF notes worth a remarkable 9.1 per cent of the IMF's total resources was subsequently signed in September 2009, one month before the third and final amendment to the Sicominex agreement was signed in October 2009 (Avenant 3 2009; IMF 2009f).<sup>73</sup>

Given the fragmented character of the Chinese foreign policy making process, it seemed implausible that a controversy around one of the many business transactions that Chinese SOEs are involved in overseas would have any bearing on a matter as important both to the IMF and to

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<sup>71</sup> Author's interview, 17.12.2012, Brussels (Interview #6)

<sup>72</sup> Author's telephone interview, 30.04.2013 (Interview #7)

<sup>73</sup> However, this purchasing pledge has in practice only functioned as an open credit offer. As of June 2012, China had only purchased US\$ 5.7 billion of the pledged US\$ 50 billion in IMF notes (The Herald 2012).

China as the Chinese purchase of IMF notes. Nonetheless, in order to explore whether this may have been one of the reasons why IMF officials were hesitant to engage high-level Chinese officials on the issue of the Sicomines agreement during the spring of 2009, the question was posed to a well-placed respondent with first hand insight into the dynamics at play. The respondent confirmed my initial assessment, stating that there had been no connection what-so-ever between these two situations.<sup>74</sup>

Thus, the absence of Chinese commercial development finance offers to the DRC after 2009 was not an instance of China committing wholeheartedly to the IMF's public debt norm. Instead, as we shall see in the subsequent section, this was probably due to risk aversion in the Chinese commercial actors who could have initiated such financing arrangements.

### **2.1.1 The risky business of commercial development finance offers**

In October 2012, I discussed the Chinese commercial development finance offers with a diplomat from the Chinese Embassy in the DRC. "The problem in China is not the financing", the respondent commented. "If there are guarantees for reimbursement, there is no problem with the financing. One simply has to find a good, profitable project". I asked the respondent whether other Chinese companies may propose similar financing arrangements to that introduced by the Consortium of Chinese companies via the Sicomines agreement. "If there are other companies who want to do that, we'll take a look at that", the respondent said, reiterating that "the problem for the Chinese is not the financing, but to ensure reimbursement".<sup>75</sup>

Thus, there is no indication that the settlement of the Sicomines controversy brought about a change in normative approach among the Chinese commercial actors who extend commercial development finance offers, thus challenging the IMF's public debt norm. Rather, I believe that it is the challenges encountered in the DRC by the Chinese parties to the Sicomines agreement that have deterred other Chinese corporate actors from taking similar initiatives in that country.

Specifically, the controversy that surrounded the Sicomines agreement throughout its first two years of existence was a first, significant challenge for the Consortium of Chinese companies. In this context, the demands made by the IMF and Western donors for renegotiation of the agreement were only one of the reasons why the agreement was controversial. Even more

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<sup>74</sup> Author's telephone interview, 30.04.2013 (Interview #7)

<sup>75</sup> Author's interview, 12.10.2012, Kinshasa (Interview #4). Author's translation from French

important in terms of why the agreement has been politicised since its inception is its close association with the Kabila regime. As noted by one observer, “without the high-profile efforts of CREC and Sinohydro to date [President Kabila] would have had precious few projects with which to seek to impress the electorate” (Mthembu-Salter 2012, p.20).

The infrastructure projects implemented within the framework of the Sicomines agreement are clearly used to perform statehood and to signal both to residents and visitors that Kinshasa is moving towards modernity (c.f. De Boeck 2011). As shown in Table 5 below, the majority of infrastructure projects which had been implemented by the time the final field work for this dissertation was completed in January 2013 comprised refurbishment work on arterial roads in central Kinshasa.

Moreover, the DRC is a volatile political environment. Becoming a controversial President's flagship project in such a context brings both benefits and drawbacks. The benefits are clear: being the privileged business partners of the political elite that controls access to the mining sector (e.g. Hönke 2009, p.12) brings the advantage of securing access to mining concessions on privileged terms, such as the kind of generous tax exemptions discussed in chapter six of this dissertation.

The drawbacks associated with being a politicised high-profile project is that it brings political risk and domestic controversies that can cause delays in implementation. Two of President Kabila's political opponents have promised to renegotiate *les contrats chinois* should they come to power. Laurent Nkunda, former leader of the rebel group CNDP (the National Congress for the Defence of the People), promised to do so as part of demands made in 2008 to a United Nations special envoy (AFP 2008b). Similarly, ahead of the elections in 2011, Kabila's main political rival Etienne Tshisekedi stated that he would revise *les contrats chinois* if he was elected, “because they are characterised by non-transparency” (Braeckman 2011).

It is doubtful whether or not a successor to Kabila would actually change anything in the Sicomines agreement given the exceptional amounts of infrastructure financing that it brings in. Moreover, as pointed out by Holslag (2011), Chinese diplomatic and corporate strategies in politically unstable African countries have to date entailed adjusting to changing circumstances and quickly establishing good relations to new leaders, even if the latter came to power through unconstitutional coups. Thus, it is possible, or even plausible, that the Chinese parties to the

**Table 4: Infrastructure projects implemented within the framework of the Sicomines agreement<sup>a</sup>**

Project	Company	Status as of January 2013	Quality control conducted by	Price (US\$ mn)
Refurbishment of the <i>Boulevard du 30 juin</i> , Kinshasa (1st part) (5.3 km)	CREC	Completed	Congolese Agency of Public Works	24.1
Refurbishment of the <i>Boulevard du 30 juin</i> , Kinshasa (2nd part) (2.5 km)	CREC	Completed	Gauff Engineering (external consultancy firm)	19.3
Refurbishment of the Esplanade in front of the People's Palace, Kinshasa (24 380 m <sup>2</sup> )	Sinohydro	Completed	FYJL (external consultancy firm)	19.7
Refurbishment of Avenue du Tourisme, Kinshasa (7.25 km)	CREC	Completed	Congolese Agency of Public Works	24.3
Refurbishment of the Boulevards Triomphale et Sendwë, Kinshasa (4.3 km)	CREC	Completed	BIC / TCE (external consultancy firm)	29.2
Construction of a 450-bed hospital ( <i>Hôpital du Cinquantenaire</i> ), Kinshasa	Sinohydro	Completed, inauguration on hold awaiting a staffing arrangement	Huatong (external consultancy firm)	99.9
Refurbishment of Lutendele road, Kinshasa	CREC	2.8 km out of the planned 4.56 km completed	African Engineering & Consulting (external consultancy firm)	21
Refurbishment of the Beni-Luna road, North Kivu (66 km)	Sinohydro	Completed	Huatong (external consultancy firm)	57.8
Grading of the national road (RN5) between Lubumbashi and Kasomeno, Katanga province (137 km)	CREC	Completed	Congolese Agency of Public Works	50.5
Asphalting of the national road (RN5) between Lubumbashi and Kasomeno, Katanga province	CREC	90 km out of the planned 137 km completed, works delayed due to lack of finances	Congolese Agency of Public Works	87.5
Donation of solar panels	Sinohydro	Completed	N/A	11
Donation of generators	CREC	Underway	N/A	6.5
Factory to build prefabricated houses, Kisangani	CREC	Underway	N/A	7.5
				<b>Total: 458.4</b>

<sup>a</sup>This table covers projects implemented until January 2013 when the final field work for this dissertation was conducted

**Sources:** ACGT (2011), EITI (2013) and author's interviews with representatives of Sinohydro (28.11.2012) and CREC (03.12.2012)

Sicomines agreement will successfully manoeuvre within a potentially changed Congolese political landscape and ensure that the agreement remains in place.

Nonetheless, the Chinese parties to the Sicomines agreement have made significant efforts to deliver infrastructure projects fast in what this dissertation regards as a strategy to manage political risk by safeguarding relations to President Kabila and his entourage. Representatives for both CREC and Sinohydro have testified to the pressure under which they were completing infrastructure works in central Kinshasa ahead of the DRC's 50<sup>th</sup> independence anniversary in June 2010. Sinohydro's teams worked around the clock on the esplanade in front of the People's Palace to complete refurbishment work on time. CREC's teams did the same on Kinshasa's main avenue *Boulevard du 30 juin*, completing work in six months instead of the 18 months stipulated in the contract.<sup>76</sup>

Even more importantly, CREC and Sinohydro have taken significant financial risks to ensure project progression, arguably to meet pressures from President Kabila and his entourage. The main contract text for the Sicomines agreement from April 2008 stipulates that 12 months by the latest after the Sicomines project has been approved by the Chinese government, the Congolese parliament must vote in a law which safeguards the beneficial tax, customs and exchange provisions granted to the Sicomines joint venture. If the law had not been voted on time, the Consortium of Chinese companies would have the right to cancel the agreement. (Convention de Collaboration 2008, p.21, Article 15.1)

By early 2012, almost four years later, this law had still not been passed. This worried China Exim Bank, the financial institution that until then had been the Sicomines joint venture's financier. China Exim Bank also considered the 25-year total reimbursement period too long and put forward two requirements that would reduce its risk. Namely, it proposed taking over the Congolese parastatal Gécamines' 32 percent share of the Sicomines joint venture and that the Chinese parties' 68 percent share be mortgaged until all Sicomines' loans had been reimbursed. The Congolese party said no to these demands, and in early 2012, China Exim Bank pulled out as the financier for the Sicomines joint venture.<sup>77</sup>

When China Exim Bank pulled out, it had already extended around US\$ 1 billion worth of loans to Sicomines. US\$ 458.4 million of these had been used to finance infrastructure projects (see

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<sup>76</sup> Author's interviews in Kinshasa with representatives of CREC (03.12.2012) (Interview #13) and Sinohydro (28.11.2012) (Interview #21).

<sup>77</sup> Author's interview with Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 04.12.2012, Kinshasa (Interview #26)



Table 5 above) and US\$ 540 million have been disbursed towards the mining operation. Of the latter amount, US\$ 350 million was to be used for the signing bonus (US\$ 175 million of which was paid to the DRC in 2009, US\$ 50 million in July 2012, and the rest was yet to be paid by the time the final field work for this dissertation was conducted), and US\$ 190 million for feasibility studies and loans<sup>78</sup> to Gécamines.<sup>79</sup>

As discussed in chapter five of this dissertation, these loans were to be reimbursed by means of the profits from the mining project that the joint venture will operate in the DRC's Katanga province. However, since the mine is only expected to enter into production by the end of 2015,<sup>80</sup> the loans disbursed had to be reimbursed by CREC and Sinohydro when China Exim Bank withdrew its participation in early 2012.<sup>81</sup> Thus, four years after the main contract text for the Sicominex agreement had been signed in April 2008, CREC and Sinohydro had incurred significant expenses in the DRC although they still did not have a secure financing arrangement or a mine in operation.

The two companies' willingness to take such risks must be understood against the backdrop of the high profitability of mining operations in the DRC's Katanga province. The average copper ore grade mined by companies across Congo's copper belt is often above two percent, making it one of the richest copper mining regions in the world (World Bank 2008, p.106). In contrast, the average grade in Chile, the world's top copper producer, is about one percent (Economist 2013).

A representative for a Western mining company commented that at the same mining cost, the return rate for the respondent's company's operations is far higher for the company's operation in Katanga compared to one of its operations in the developed world.<sup>82</sup> The high rate of return is also a result of the DRC's Mining Code, according to which the Sicominex joint venture is supposed to operate once the loans are paid back.<sup>83</sup> Namely, as mentioned in chapter four of this

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<sup>78</sup> The Consortium of Chinese companies have pledged to lend the Congolese mining parastatal Gécamines US\$ 50 million to be used towards equipment and renovations (Convention de Collaboration 2008, p.9, Article 5.2; Convention de Joint Venture 2008, p.26, Article 4.4) and US\$ 32 million towards its shareholding contribution to the Sicominex joint venture (Convention de Joint Venture 2008, p.23, Article 4.1.4)

<sup>79</sup> Figures provided by Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, at the public seminar '*2ième matinée de transparence sur le contrat chinois*', 29.11.2012, Grand Hotel Kinshasa

<sup>80</sup> Author's email conversation with Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 28.01.2014

<sup>81</sup> Author's interview with Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 04.12.2012, Kinshasa (Interview #26).

<sup>82</sup> Author's interview, 18.02.2011, Kinshasa (Interview #20).

<sup>83</sup> Author's interview with Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 04.12.2012, Kinshasa (Interview #26).

dissertation, the Code is one of the most generous in the world in terms of returns to foreign investors (Abadie 2011, p.295; Mazalto 2005, p.16).

The significant risk taken by CREC and Sinohydro in the DRC is also a pertinent illustration of how the concerns of the different Chinese corporate actors overseas vary. On the one hand, the Chinese state-owned enterprises are market-seeking actors that are prepared to take risks as they seek to gain market traction overseas. China's banks, on the other hand, though they do support the overseas expansion of the Chinese state-owned enterprises, are principally concerned with ensuring commercial viability. They need to be confident that their investment will be repaid. The business environment in the DRC was ranked the sixth most difficult in the world (180 out of 185 economies) by the World Bank's Doing Business project in 2012 (World Bank 2012). In the light of this, it is understandable that China Exim Bank sought significant guarantees prior to disbursing funds for a project in the DRC.

During the autumn of 2012, China Exim Bank eventually came back to the negotiating table. According to Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, the Bank did so due to the competition offered from China Development Bank and the Bank of China, which also had started negotiations with CREC and Sinohydro at the time.<sup>84</sup> In 2013, China Exim Bank returned as the financier for Sicominex's mining project, and in 2014 the Bank also re-entered as the financier for the infrastructure projects.<sup>85</sup> As mentioned, one of China Exim Bank's main worries as it pulled out in 2012 had been the delay in the Congolese law safeguarding the tax exemptions accorded to the Sicominex joint venture. This law was finally voted in February 2014 (DRC 2014, p.Article 28) and this was probably the most important reason why the Bank decided to return as the financier for Sicominex's infrastructure projects.

These developments in the relations between the Consortium of Chinese companies and their financier are certainly to be expected in the life cycle of a high-risk natural resource extraction project. Yet, the situation in which CREC and Sinohydro found themselves throughout 2012 was one of exceptional uncertainty. Other Chinese corporate actors, which potentially could initiate financing arrangements similar to that of the Sicominex agreement, are certainly aware of these developments, and this is probably the reason why no Chinese commercial development finance offer has been proposed to the DRC after the Sicominex agreement. As shown in chapter five of

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<sup>84</sup> Author's interview, 04.12.2012, Kinshasa (Interview #26). A diplomat from the Chinese Embassy in the DRC confirmed in an interview that China Development Bank, Bank of China and China Exim Bank were indeed negotiating with CREC and Sinohydro during the autumn of 2012 (interview, 29.11.2012, Kinshasa) (Interview #27)

<sup>85</sup> Author's email conversation with Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 14.05.2014

this dissertation, other Chinese commercial actors are indeed operating regular mining ventures in Katanga province, but none of them have proposed bringing in a commercial credit line to finance infrastructure projects in the country.

The fact that Chinese commercial credit lines have been extended to countries such as Ghana after the Sicomines controversy indicates that China's financial institutions remains committed to its project-based approach to debt, and will continue to extend development finance offers on commercial terms to projects that they find commercially viable, thus challenging the IMF's public debt norm.

### **3. Chapter summary**

In this chapter, I have analysed the outcome of China's challenge to the IMF's public debt norm in the DRC and in other African countries. As noted in chapter six, the Sicomines agreement clearly impacted on the IMF's power to set norms in terms of public debt management, given that the organisation had to compromise its own public debt norm to include the Sicomines agreement in the HIPC debt relief process. In this chapter, I showed that successful Chinese norm challenges subsequently occurred also in Angola and Ghana, and in 2009, the IMF's public debt norm was formally revised to cater for the Chinese commercial development finance offers.

I argued that the reason why it had become a necessity for the IMF to compromise and subsequently revise its public debt norm was that if the organisation was to retain any relevance in developing countries, it had to accommodate the financially and politically important Chinese commercial development finance offers. However, I also argued that the Chinese financing offers will only impact on the IMF's power to set norms in terms of public debt management to the extent that they materialise. The Chinese commercial development finance offers are not rolled out as part of an attempt to challenge and altogether replace the IMF's public debt norm in African countries. Rather, they are extended for commercial reasons, when the Chinese financiers and SOEs deem a specific commercial opportunity worthwhile.

## Chapter 8: Conclusion

The commercial development finance offers extended by China's financial institutions fundamentally alter the power dynamics of the development finance arena. For decades, the IMF has been able to use its power as a gatekeeper and a lender of last resort to set norms in African countries, but this dissertation shows that China challenges this power. The dissertation's research question reads: *To what extent, how and why do Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries?*

This question comprises three sub-queries: 'to what extent', 'how' and 'why'. In terms of the 'how' aspect, I have shown that Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries by challenging the material base for that organisation's power in those countries, namely its role as a lender of last resort and a gatekeeper for public and private financial inflows.

Drawing on Cox' conceptual connection between power in production, power in the state and power in international relations, I argued that that China's ability to challenge the IMF's public debt norm (power in international relations) hinges on the country's financial clout (power in the state), which in turn derives from the economic growth and trade surplus brought about by the past decades' changes in the organisation of production in China (power in production). Thus, my findings support Cox' argument that the production process is the locus from which power emerges, as well as the site where change in world orders is instigated.

In terms China's rationale for challenging the IMF's public debt norm – the 'why' aspect of the research question – I argue that there are both material and normative reasons to it. In terms of normative considerations, the Chinese public debt norm is truly seen by many stakeholders in China's financial institutions as a more appropriate approach to public debt management for developing countries. In terms of material considerations, the more permissive approach to using loans on commercial terms to finance Chinese business ventures in African countries serves the interests of a number of actors: the Chinese state, China's banks, Chinese corporations, and those Chinese workers who can find employment by means of the business ventures that the banks finance.

The third and final aspect of the dissertation's research question concerns 'to what extent' Chinese commercial development finance offers impact on the IMF's power to set norms in terms of public debt management in African countries. In this regard, my conclusion is that Chinese commercial finance offers impact crucially on the IMF's power to set norms in terms of public debt management in African countries, but those loans will only have this impact to the extent that they materialise. While the Chinese development finance offers embody the Chinese public debt norm promoted by China Exim Bank and other Chinese financial institutions, these offers are not rolled out as part of an attempt to challenge and altogether replace the IMF's public debt norm in African countries. It is not a Chinese foreign policy priority to mount such a norm challenge. Rather, those loans are extended for commercial reasons, when the Chinese financiers and SOEs deem a specific commercial opportunity worthwhile.

I reached this conclusion by means of an empirical analysis in four chapters. In the first chapter, I explored what it is that constitutes the IMF's power to set norms in terms of public debt management. I argued that the organisation's power to set norms is rooted in the material capabilities of the hegemonic state, the United States, and the other influential states on its board, such as the United Kingdom and France. Since IMF conditionality was introduced in 1952, the IMF's power to set norms has been a coercive form of power because it has entailed the organisation leveraging its material clout and making disbursements of IMF loans conditional upon adherence to its conditions. Borrowing countries have not internalised the IMF's conditionalities as their own will, as would have been the case had normative power been at play.

In the second empirical chapter, I explored what it is that constitutes China's power to challenge the IMF's public debt norm. I argued that the Chinese development finance offers are able to challenge the IMF's public debt norm because China's financial clout outweighs that of the most influential states on the IMF's board. Thus, when a Chinese commercial development finance offer is extended to an African country, the material basis of the IMF's power in that country is challenged.

In the third empirical chapter, I explored why the IMF deployed both norm-enforcing power and epistemic authority to counter the Chinese challenge to the IMF's public debt norm in the DRC. I argued that the IMF was able to deploy norm-enforcing power and coerce the DRC into renegotiating the agreement according to the IMF's requirements because of the DRC's need for debt relief, budget support and post-conflict reconstruction, and given the IMF's powerful position as a lender of last resort and gatekeeper for both debt relief and for public and private development finance inflows.

However, there were political limits to the revisions that the IMF and the Western donors could coerce the DRC into making. At this point in time, neither that organisation nor the Western donors could mobilise funds for post-conflict reconstruction in the DRC of the magnitude that the Sicomines agreement would bring in. The financial clout that underpinned the Chinese norm challenge was greater than that of the IMF and the most influential countries on its board and thus, the IMF had to deploy its epistemic authority to make the Sicomines agreement comply with the organisation's debt limits framework. Specifically, the IMF engaged in knowledge manipulation, silently bending the organisation's debt limits framework and conducting a grant element calculation so generous that the credit line to be extended by means of the Sicomines agreement was portrayed as highly concessional, which it is not.

In the fourth and last empirical chapter, I explored the outcome of China's challenge to the IMF's public debt norm in the DRC and in other African countries. In the DRC, the Sicomines agreement clearly impacted on the IMF's power to set norms in terms of public debt management, given that the organisation had to compromise its own public debt norm to include the Sicomines agreement in the HIPC debt relief process. I showed in this chapter that this successful Chinese norm challenge continued in Angola and Ghana as well, and led to a formal revision of the IMF's public debt norm. I argued that given the financial and political significance of Chinese loans, it had become a necessity for the IMF to revise its public debt norm in this way in order to accommodate Chinese commercial development finance offers if needed. Such a change was necessary if the IMF was to retain any relevance in developing countries.

Thus, to put it in Coxian terms, China brought about a change in one of the norms of the *Pax Americana*. This is an expected result from a situation where a mechanism of hegemony attempts to co-opt a counter-hegemonic idea, because as argued by Moore, "hegemonic attempts to neutralise ideological challenges do result in slight changes to paradigmatic fundamentals" (1999, p. 63). However, in terms of the hopes cited in the dissertation's introduction that the Chinese presence in African countries might open up "possibilities of less neoliberal modalities of aid, investment and trade" (Harrison 2010, p.10) and "open up policy space for recipient countries to escape the strictures of neo-liberalism" (Tan-Mullins et al. 2010, p.859), the findings of this dissertation are not promising. There is no indication that China seeks to mount a concerted challenge to neoliberalism.

Moreover, the fourth empirical chapter showed that the IMF still seeks to set norms in terms of public debt management to the greatest extent possible, and that it will only compromise its

public debt norm if it is faced with a specific challenge. In other words, the IMF does not make compromises to its public debt norm unless a competing public debt norm with a more significant material basis emerges, such the Chinese public debt norm embodied by the Chinese commercial development finance offers.

In this context, the 2009 revisions to the IMF's public debt norm were ingenious because they enabled the IMF to temporarily allow for a country to take up more commercial debt within the framework of its IMF programme. In this way, the IMF's public debt norm can retain political relevance even when Chinese commercial development finance offers are extended to African countries, thus enabling the IMF to keep a seat at the table and avoid losing face. However, if no such Chinese loans are extended, the IMF can set norms in terms of public debt management in a similar vein as it did prior to China's emergence as a development finance provider.

In terms of theory, I decided to develop and deploy a Coxian-inspired framework in this dissertation because such a framing enabled me to make sense of my findings around the Sicomines agreement. Specifically, it came through clearly in my empirical observations that the United States and the other Western donors determined the IMF's actions in the DRC during the time period studied. However, this does not mean that I reject constructivist scholarship altogether. On the contrary, my thinking is greatly inspired by constructivism, and this is the reason why I decided to integrate constructivist thinking around the epistemic authority of IOs into this dissertation's analytical framework.

Moreover, my thinking around the DRC's international relations has been greatly inspired by a seminal constructivist contribution, namely Dunn's *Imagining the Congo* (2003). In an argument that I find convincing in every respect, Dunn argues that racialised discursive constructions of the DRC as chaotic, uncivilised and in need of being saved have played a decisive role in terms of justifying and thus enabling external actors' often violent interventions in that country, from King Leopold's colonial project in the 19<sup>th</sup> century until the wars at the turn of the 21<sup>st</sup> century. In sum, my decision not to deploy a constructivist framework was not rooted in a rejection of constructivism's usefulness *per se*. Rather, it had to do with the fact that the findings of my specific case study did not lend support to the constructivist argument that IOs are autonomous actors in their own right.

The Coxian-inspired framework that I decided to deploy was suitable not just for the specific empirical case study pursued, but also for the broader issues that the study touches upon in terms of change in international politics. Cox' world order framework is rich and sophisticated, and I

find that combined with constructivist thinking around norms, it provided potent analytical tools for linking the past two decades' reconfigurations in the global political economy with norm change, and subsequently to explore whether such norm change is indicative of change in world orders. As noted, I found no indication that China seeks to challenge the neoliberal world order, even though it definitely does challenge one of that world order's norms. I was able to make this distinction between norm change and change in world orders by drawing on and developing Cox' distinction between collective images and norms.

This dissertation opens up two main avenues for further research. First, the dissertation's deep case study into the challenge posed by the Sicomines agreement to the IMF's public debt norm in the DRC could be replicated in other countries. Such case studies could verify my conclusions and deepen our understanding of how Chinese commercial development finance offers challenge the IMF's power to set norms in terms of public debt management. From this dissertation's perspective, in-depth engagement with the two cases that it only explored briefly, Angola and Ghana, would be of great value. Case studies of other African, Asian and Latin American countries that have experienced controversies with the IMF over Chinese commercial credit lines would also make valuable contributions to this emerging literature.

Second, a thorough process tracing endeavour around the 2009 revisions to the IMF's debt limits framework could nuance and deepen the argument developed in this dissertation. Such a study could devote attention to matters such as who the key actors were during this process, what their considerations were, and to what extent the Chinese Executive Director's office at the IMF was involved in this process. Such a case study could also delve into the theoretical tension between on the one hand the constructivist claim that it is the staff and their ideas and agency that determine the actions of the IMF, and on the other hand the Coxian tenet that IMF is a mechanism of hegemony whose power hinges on the material capabilities of the hegemonic state and the other countries with large stakes in the organisation.



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## **Annex I: List of interviews referred to in the dissertation**

Interview #1, 2012. *Senior Western aid official, 11.10.2012, Kinshasa*

Interview #2, 2011. *Senior Western diplomat, 03.02.2011, Kinshasa*

Interview #3, 2011. *Senior Western diplomat, 04.02.2011, Kinshasa*

Interview #4, 2012. *Diplomat from the Chinese Embassy in the DRC, 12.10.2012, Kinshasa*

Interview #5, 2012. *Well-placed respondent with insight into relevant loan portfolios, 15.10.2012, Kinshasa*

Interview #6, 2012. *Well-placed respondent with insight into the developments in 2009, 17.12.2012, Brussels*

Interview #7, 2013. *Author's telephone interview with a well-placed respondent with first hand insight into the developments during the Sicomines controversy, 30.04.2013*

Interview #8, 2011. *Senior manager from China Railway Engineering Corporation. Interviews by the author and Wenran Jiang, 07.03.2011 and 14.03.2011, Kinshasa*

Interview #9, 2011. *Owner of a private-owned medium-sized Chinese mining company in Katanga province. Interview by the author and Wenran Jiang, 09.03.2011 and 11.03.2011, Lubumbashi*

Interview #10, 2010. *Senior representative of the Congolese Ministry of Mines, 02.12.2010, Brussels*

Interview #11, 2009. *Representative of Sinohydro, 26.02.2009, Kinshasa*

Interview #12, 2011. *Representative of the Congolese Agency for Major Construction Works, 09.02.2011, Kinshasa*

Interview #13, 2012. *Respondent from China Railway Engineering Corporation, 15.10.2012 and 03.12.2012, Kinshasa*

Interview #14, 2009. *Representative for China Jiangsu Construction Development Company, 24.02.2009, 09.02.2011 and 07.03.2011. Interviews conducted by the author and Wenran Jiang*

Interview #15, 2011. *Representatives for Société Zhengwei Technique Coopération, 14.03.2011, Kinshasa. Interview conducted by the author and Wenran Jiang*

Interview #16, 2009. *Wu Zexian, Chinese Ambassador to the DRC, 23.02.2009, Kinshasa*

Interview #17, 2011. *Senior Western diplomat, 11.02.2011, Kinshasa*

Interview #18, 2011. *Senior civil servants from the Congolese Ministry of Finance's Directorate-General for Public Debt (la Direction Générale de la Dette Publique), 03.05.2011, Kinshasa*

Interview #19, 2012. *Elisabeth Caesens, Project Manager, Carter Center Lubumbashi, 21.11.2012, Kinshasa*

Interview #20, 2011. *Representative of one of the large, Western companies operating in the DRC, 18.02.2011, Kinshasa*

Interview #21, 2012. *Representative for Sinohydro, 28.11.2012, Kinshasa*

Interview #22, 2011. *Samir Jahjah, resident representative of the IMF in the DRC from 2009 to 2012, 06.05.2011, Kinshasa*

Interview #23, 2011. *Senior civil servant from the DRC's Ministry of Finance, 29.04.2011, Kinshasa*

Interview #24, 2011. *Senior civil servant from the DRC's Ministry of Finance, 29.04.2011, Kinshasa*

Interview #25, 2011. *Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, the government agency established specifically to manage the Sicomines agreement, 02.03.2011, Kinshasa*

Interview #26, 2012. *Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 04.12.2012, Kinshasa*

Interview #27, 2012. *Diplomat from the Chinese Embassy in the DRC, 29.11.2012, Kinshasa*

Interview #28, 2011. *Representative for Sinohydro, 03.05.2011, Kinshasa*

## **Annex II: The different contract texts that have regulated the Sicomines agreement since its inception in 2007**

Table 5 below lists the contract texts that have regulated the Sicomines agreement since its inception in 2007. Most of the contracts have been followed by contract amendments, and the links between the different texts are explained in the table's 'description' column. The contract texts listed are those that were publically available as of April 2014. There are other contract texts that have not been published, for instance, the first and second amendments to Convention de Collaboration (2008), referred to in Avenant 2 (2008). There may also be other unpublished contract texts, although I have not heard anything to this effect.

In the table's 'description' column, I also recapitulate the ownership changes that have taken place since 2007 within the Sicomines joint venture. To facilitate the reader's understanding of that column, it can be noted that at the time of the 2012 field work, the Chinese party to the joint venture, *i.e.* the Consortium of Chinese companies (CREC, Sinohydro and Zhejiang Huayou Cobalt) held a 68 percent stake in the joint venture, while the Congolese parties (the DRC's state-owned companies Gécamines and Simco) held 32 percent. The particular stakes have changed several times since 2007, but the 68/32 ratio between Chinese and Congolese stakeholders remains in place (Congomines 2011).

In terms of the shareholder distribution within the Consortium of Chinese companies, the 'description' column shows that several subsidiaries of the state-owned enterprises China Railway Engineering Corporation and Sinohydro have entered and exited the Consortium since the inception of the Sicomines joint venture. However, the main ownership structure has remained throughout such that China Railway Engineering Corporation and Sinohydro have, either directly or through their subsidiaries, owned the majority of Chinese shares. Relevant Chinese and Congolese respondents consulted during the field work have preferred not to disclose the exact stakeholder distribution within the Consortium of Chinese companies. However, as of 2011, China Railway Engineering Corporation and Sinohydro held majority shares of about the same size while Zhejiang Huayou Cobalt held a fairly small share.<sup>86</sup>

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<sup>86</sup> Author's interviews with Moïse Ekanga, Executive Secretary for the Bureau for Coordination and Monitoring of the Sino-Congolese Programme, 02.03.2011, Kinshasa (Interview #25); with a representative of Sinohydro, 03.05.2011 (Interview #28); and interview by the author and Wenran Jiang with a senior manager from China Railway Engineering Corporation, 07.03.2011 (Interview #8).

**Table 5: List of contract texts that have regulated the Sicomines agreement since its inception in 2007**

No	Contract name	Signed	Description	Listed in bibliography as
1	<i>Protocole d'Accord entre La République Démocratique du Congo [...] et Le groupement des Entreprises Chinoises</i>	Sept. 17, 2007	The initial memorandum of understanding that established the Sicomines agreement	Protocole, 2007
2	<i>Convention de Joint Venture entre le groupe Gécamines et le Consortium d'Entreprises Chinoises</i>	Dec. 24, 2007	The contract text by means of which a joint venture called Sicomines is formed between the Congolese mining parastatal Gécamines and the Congolese individual Gilbert Kalamba <sup>a</sup> on the one hand; and a consortium of Chinese companies (COVEC, China Railway Engineering Consultants Group and China Railway Sixth Group (all three subsidiaries of China Railway Engineering Corporation); Sinohydro and Sinohydro Harbour) on the other	Convention de Joint Venture, 2007
3	<i>Acte Constitutif et Statuts, La Sino-Congolaise des Mines (Sicomines Sarl)</i>	Dec. 24, 2007	Legal text establishing Sicomines as a company limited by shares (ltd.)	Acte Constitutif, 2007
4	<i>Convention de Collaboration entre la République Démocratique du Congo et Sinohydro Corporation relative au développement d'un projet minier et d'un projet d'infrastructures en République Démocratique du Congo</i>	Jan. 28, 2008	A version of the Sicomines agreement from January 2008 including only Sinohydro as a Chinese party. Signed by both the Congolese Minister for Infrastructure and Sinohydro, but never implemented. For an analysis of why this contract version was never implemented, refer to section 4.1 of chapter five.	Convention de Collaboration Sinohydro, 2008
5	<i>Convention de Collaboration entre la République Démocratique du Congo et le Groupement d'Entreprises Chinoises: China Railway Group Limited [et] Sinohydro Corporation relative au développement d'un projet minier et d'un projet d'infrastructures en République Démocratique du Congo</i>	April 22, 2008	The main contract text for the Sicomines agreement. This contract text is being implemented at the time of writing (2014), including the October 2009 amendment (Avenant 3, 2009, contract text no. 10 below)	Convention de Collaboration, 2008

## Annex II

6	<i>Convention de Joint Venture entre le groupe Gécamines et le Consortium d'Entreprises Chinoises</i>	April 22, 2008	A newer version of the contract text regulating the Sicomines joint venture (c.f. contract text no. 2 above). By means of this text, a joint venture is formed between the Congolese mining parastatal Gécamines and the Congolese individual Gilbert Kalamba (see footnote (a) below) on the one hand, and a consortium of Chinese companies (China Railway Group, China Railway Sino-Congo Mining Limited, China Railway Resources Development Limited, Sinohydro and Sinohydro Harbour) on the other.	Convention de Joint Venture, 2008
7	<i>Avenant no 1 à la convention de joint venture du 22 avril 2008</i>	June 28, 2008	Amendment to <i>Convention de Joint Venture</i> (2008) which regulates changes in the composition of the Sicomines joint venture. It replaces the physical person Gilbert Kalemba with the company Simco, a subsidiary of Gécamines; and replaces China Railway Sino-Congo Mining Limited with China Metallurgical Group Corporation	Avenant 1, 2008
8	<i>Avenant no 2 à la convention de joint venture du 22 avril 2008</i>	Sept. 2 and 11, 2008	Amendment to <i>Convention de Joint Venture</i> (2008) which regulates changes in the composition of the Sicomines joint venture. It replaces China Metallurgical Group Corporation with Zhejiang Huayou Cobalt Corporation Limited	Avenant 2, 2008
9	<i>Acte Constitutif et Statuts, La Sino-Congolaise des Mines (Sicomines Sarl)</i>	Sept. 2 and 11, 2008	Legal text reflecting the changes made to Sicomines Ltd by means of <i>Convention de Joint Venture</i> , 2008; <i>Avenant 1</i> , 2008 and <i>Avenant 2</i> , 2008	Acte Constitutif, 2008
10	<i>Avenant no. 3 à la Convention de Collaboration relative au développement d'un projet minier et d'un projet d'infrastructures en République Démocratique du Congo du 22 avril 2008</i>	Oct. 21, 2009	The third and final <sup>b</sup> amendment to <i>Convention de Collaboration</i> , 2008. This amendment removed the sovereign guarantee on the credit line to be extended to capitalise the mining project; capped the interest rate that the Sicomines joint venture will be charged for the infrastructure financing facility and capped the amount of loans that Sicomines can take up towards infrastructure financing.	Avenant 3, 2009
11	<i>Loi N° 13/005 du 11 Fevrier 2014 portant Régime Fiscal, Douanier, Parafiscal, des Recettes Non Fiscales et de Change applicables aux Conventions de Collaboration et aux Projets de Coopération</i>	Feb. 11, 2014	Congolese law that safeguards (in article 28) the tax exemptions accorded to the Sicomines joint venture in <i>Convention de Collaboration</i> , 2008 (pp. 19-20, Articles 4.2.1, 4.2.2 and 4.2.3)	DRC, 2014

<sup>a</sup> I do not have any relevant data on Gilbert Kalamba, apart from anecdotal suggestions that he is an individual associated with Gécamines. As noted for instance by Kavanagh and Wild (2014), Gécamines' operations are marked by opacity and illicit transactions. As I see it, this pattern recurs also in the company's interactions with the Consortium of Chinese companies. The choice to include a physical person in the Sicomines joint venture also follows this pattern.

<sup>b</sup> This is to date the third and final contract amendment that has been made publically available. There may be other amendments that have not been published.