

POLITICS OF STATE-OWNED ENTERPRISES:
THE CASE OF CHINA

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

JESSICA DURDU

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF POLITICAL SCIENCE AND PUBLIC
ADMINISTRATION

AUGUST 2023

Approval of the thesis:

**POLITICS OF STATE-OWNED ENTERPRISES:
THE CASE OF CHINA**

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ABSTRACT

POLITICS OF STATE-OWNED ENTERPRISES: THE CASE OF CHINA

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M.S., The Department of Political Science and Public Administration

Supervisor: Assoc. Prof. Dr. Mustafa Kemal BAYIRBAĞ

August 2023, 109 pages

With the Belt and Road Initiative released by Chinese President Xi Jinping in 2013, China has become a significant power with great potential to influence the global system. The foundational basis established by Mao and the Going Out policy of Deng both prepared China for the next step of being a global leader in the international system. BRI, in this regard, is the most concrete step taken in this way. It has been observed that with BRI, Chinese diplomacy has been decentralized and that the non-state actors are started to be used as active diplomacy tools. As institutions that were abolished by most countries due to the loss of influence of developmentalism, State-owned enterprises have turned out to be effective diplomacy tools and started to be de facto ambassadors abroad. This thesis will explore the unique case of Chinese SOEs, which were transformed from loss-making economic agencies into profit-making political agencies. It has been seen that the SOE reforms have been shaped by the core principles of Chinese politics of the primacy of the Communist Party, integration of the Party with the state, and developmentalism with Chinese characteristics. It has been observed that the reform process of Chinese SOEs has balanced economic liberalization with political

authority, turning them into effective institutions for Chinese developmentalism. This thesis argues that the political influence over SOEs, which was strengthened through the reforms, turns out to be two-way directional with BRI and that SOEs can turn into politically influential institutions over the government.

Keywords: State-Owned Enterprises, Belt and Road, Chinese Developmentalism



ÖZ

DEVLET İKTİSADİ TEŞEBBÜSLERİNİN SİYASETİ: ÇİN ÖRNEĞİ

DURDU, Jessica

Yüksek Lisans, Siyaset Bilimi ve Kamu Yönetimi Bölümü

Tez Yöneticisi: Doç. Dr. Mustafa Kemal BAYIRBAĞ

Ağustos 2023, 109 sayfa

2013 yılında Çin Devlet Başkanı Xi Jinping tarafından açıklanan Kuşak ve Yol Girişimi (KYG) ile Çin, küresel sistemi önemli ölçüde etkileyebilecek bir güç haline gelmiştir. Mao tarafından kurulan güçlü sistemin, Deng tarafından küresele açılması ile daha da güçlü hale gelmesi Çin'i küresel çapta bir sonraki adım olan küresel liderliğe hazırlamış ve KYG ile bu liderliğin ilk somut adımı atılmıştır. KYG ile Çin diplomasinin merkeziyetsizleştiği ve kamu dışı aktörlerin de etkin diplomasi araçları olarak kullanılmaya başlandığı gözlenmiştir. Kalkınmacılığın etkisini yitirmesi ile çoğu ülke tarafından kaldırılan kurumlar olarak Devlet İktisadi Teşebbüslerinin (DİT) ise Çin için etkili bir diplomasi aracı haline geldiği ve yurtdışında *de facto* elçiler olmaya başladığı görülmektedir. Bu tez, Çin'in DİT'lerinin zarar eden ekonomik kurumlar olmaktan çıkartılıp kar eden siyasi kurumlara dönüşmesinin eşsiz örneğini inceleyecektir. Yapılan reformların Çin politikasının ana ilkelerini oluşturan Komünist Parti üstünlüğü, devlet ve partinin bütünleşmesi ve Çin'e özgü kalkınmacılık ile şekillendirildiği görülmektedir. DİT'lerin reform süreçlerinin ekonomik liberalleşme ve politik otoriteyi dengelediği ve böylece Çin kalkınmacılığı için etkili kurumlar haline geldiği gözlenmektedir. Bu tez, hükümetin bu reformları takriben DİT'ler üstündeki artan siyasi gücünün KYG ile iki yönlü bir hal aldığını ve

DİT'lerin de hükümet üzerinde etkili siyasi kurumlara dönüşebileceğini savunmaktadır.

Anahtar Kelimeler: Devlet İktisadi Teşebbüsleri, Kuşak ve Yol, Çin Kalkınmacılığı



*This thesis is dedicated to those who contributed to the development of
Turkish-Chinese friendship.*

ACKNOWLEDGMENTS

First, I would like to express my gratitude to my supervisor Assoc. Prof. Dr. Mustafa Kemal BAYIRBAĞ for his guidance, encouragement, and empathetic patience throughout both my undergraduate and graduate studies at Middle East Technical University. I feel lucky to have his supervision while writing this thesis. I also would like to thank Assoc. Prof. Dr. Şerif Onur BAHÇECİK and Assoc. Prof. Dr. Ozan ZENGİN for taking part in my thesis committee and for their insightful comments to further enlighten my future studies.

My deepest gratitude is to my parents for their endless love, support, and encouragement throughout my academic journey. I would like to express my gratitude to them for raising me as a passionate person for education and learning and for always supporting me. I am also grateful to my academic coordinator at Binghamton University, Senior Director Oktay ŞEKERCİSOY, for his support, guidance, and trust in me.

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LIST OF ABBREVIATIONS

<i>AIIB</i>	Asian Infrastructure Investment Bank
<i>BRI</i>	Belt and Road Initiative
<i>CCDI</i>	Central Commission for Discipline Inspection
<i>CCP</i>	Chinese Communist Party
<i>EU</i>	European Union
<i>GDP</i>	Gross Domestic Product
<i>IMF</i>	International Monetary Fund
<i>LDIC</i>	Local Discipline Inspection Committee
<i>LPC</i>	Local Party Committee
<i>MFA</i>	Ministry of Foreign Affairs
<i>MOFCOM</i>	Ministry of Commerce
<i>MoU</i>	Memorandum of Understanding
<i>NDRC</i>	National Development and Reform Council
<i>PRC</i>	People's Republic of China
<i>RMB</i>	Renminbi
<i>SASAC</i>	State-Owned Assets Supervision and Administration Commission
<i>SOEs</i>	State-Owned Enterprises
<i>USSR</i>	Union of Soviet Socialist Republics
<i>WW2</i>	World War 2

CHAPTER 1

INTRODUCTION

This thesis explores the unique case of Chinese State-owned Enterprises (SOEs) and their transformation from loss-making economic agencies into profit-making political agencies. Although many countries around the world have abolished SOEs due to the decreasing popularity of developmentalism, the Chinese case presents a different story with the effective usage of SOEs. In fact, Chinese SOEs are of crucial importance to Chinese developmentalism thanks to their immense economic and political power. However, as the SOE understanding in the literature mostly depends on the classical experiences of Western-oriented developmentalism with only economic calculations, the question of how and why Chinese SOEs play such an effective role in today's China remains unanswered. Additionally, as China is going global more and more every day thanks to their economic diplomacy and massive initiative of Belt and Road (BRI), SOEs are becoming even stronger institutions with both economic and political power, making them significant elements to understand China's diplomacy movements on the world stage.

This thesis will argue that China turned its loss-making economic agencies into profit making political agencies through their decades-long reforms process and made them *de facto* ambassadors abroad. Especially taking party primacy of the Chinese Communist Party (CCP), integration of the party with the state and developmentalism with Chinese characteristics as the core principles of this process, Chinese SOEs are now stronger economic and political powers than they have ever

been before. Having such an important position, SOEs turned out to be political tools in the hand of the government. With BRI entering the picture, the role of SOEs in Chinese developmentalism starts to be outward rather than just used within the country. In fact, the simultaneous existence of the economic liberalization and political authority allowed the Chinese Communist Party to use SOEs as non-CCP diplomacy tools abroad via the projects of BRI. Therefore, this thesis will provide the process in which Chinese SOEs are politicized. This politicization will be taken as two-sided. While the first side of the government's political influence over SOEs has already started to be discussed in the literature, the second way of politicization from SOEs over the government will constitute the unique contribution of this thesis. The second side of SOEs being politicized will refer to the scenario in which SOEs are becoming agencies to influence and even manipulate political dynamics. To demonstrate this argument of the existence of two-way politicization, this thesis will cover the case study of BRI and expand the argument with the BRI framework. This, however, does not mean that all SOEs in every BRI project are politicized. In fact, the following chapters will enlighten the conditions and scenarios in which they have the alternative to politicize.

Throughout the thesis, the discussions will be mainly shaped around the concepts of (Chinese) developmentalism and SOEs to provide a theoretical framework, whereas the practical implementation flow of BRI projects will be further focused to analyze the reflection of this theoretical background into actual policy flow in which SOEs start to have their own political powers. Throughout the thesis, Chinese developmentalism will refer to transitioning from an underdeveloped socialist economy into a developed industrial economy while not giving up on its political principle of party primacy. This thesis will also take the politicization of SOEs as the scenario in which SOEs have more than one path to follow government orders and choose one of them based on the non-economic interests they will get in the end. In fact, throughout the research of this thesis, it has been noted that they have their own

political power to decide which state department's principles to prioritize. For instance, the rivalry between the Ministry of Foreign Affairs (MFA) and the Ministry of Commerce (MOFCOM) will stand out as the most important one. These rivalry conditions create an environment for SOEs to choose one of them above the other by taking non-economic outputs into account. In other words, politicization does not mean they choose MOFCOM over MFA necessarily but rather, they can choose either of them to prioritize instead of just putting the exact government order into action.

This thesis concludes that the importance attributed to the economic development of China led China to develop its own developmentalism model, taking SOEs at the center of it. However, with the launch of BRI, this use of SOEs in developmentalism transformed its power into an outward diplomacy tool and therefore, politicized SOEs. This politicization also allowed SOEs to grab certain political powers during the implementation process of BRI projects abroad and therefore allowed them to have a political influence over the government as well.

In order to provide a comprehensive understanding of this de facto ambassadorship and politicization, one should first go back to the first moment all these started. In October 2013, just after taking Office of the General Secretary, Chinese President Xi Jinping announced the re-establishment of the ancient Silk Road with his speech in Kazakhstan's Nazarbayev University. Just a month later, he introduced the establishment of the Maritime Silk Road in his address to the Indonesian Parliament. While at first scholars thought that Xi was planning to awaken the ancient Silk Road to maintain China's dominant position in global trade, it was shortly understood that Xi had a bigger plan in his mind. Later named as the Belt and Road Initiative (一带一路 *yi dai yi lu*- BRI), the initiative covered more than 140 countries on several continents and involved the active participation of countries making up almost 40% of the global trade and 1/3 of the global population. From Mao's foundational era to

Deng Xiaoping's going-out diplomacy, China has been gradually appearing on the world stage, but releasing such a huge project grabbed the attention of many around the world. The release of BRI proved the enthusiasm of China to be a major player on the world stage and in fact, to provide an alternative to Western development. Covering more than 140 countries worldwide, China needed to set the base by going global in every field of diplomacy and business. In fact, the involvement of non-state actors started to shape the way Chinese diplomacy is going towards. As one of the core players of the BRI, Chinese State-Owned Enterprises have come to a point where they are becoming the *de facto* ambassadors of China outside. Yet, the use of SOEs for BRI, i.e., the spatial and upgraded version of China's going-out policy and as the new foreign policy, grabbed the attention of the scholars whose experiences proved the inefficiency of SOEs in many countries. On the other hand, China's uniqueness appears at this exact point as China uses its SOEs quite effectively both in domestic politics and its foreign affairs. Therefore, this thesis focuses on the uniqueness of Chinese SOEs. In fact, thanks to the reforms throughout their history, Chinese SOEs are now both politically and economically powerful agents abroad. Therefore, this thesis argues that China could successfully transform its loss-making *economic* agencies of SOEs into profit-making *political* agencies. In fact, Chinese SOEs present a unique case to examine the politicization of SOEs through BRI. By going abroad with BRI, Chinese SOEs become political agencies and *de facto* ambassadors of China abroad. This politicization not only involves the government's political influence over the SOEs but also creates a suitable environment for the SOEs to have their own political choices and therefore have political power over the government. In other words, contrary to the claim that "state ownership defines a form, but not necessarily content" (Medeiros & Majerowicz, 2022, p.220), this thesis argues that state ownership defines both the form and the content of SOEs. Moreover, the existing literature focuses on the unification of the CCP's political power with SOEs' economic power. Yet, this approach lacks the understanding of SOEs' own political powers, which appears as significant as the CCP's, especially

during the BRI implementation outside of China. Therefore, this thesis aims to fill the gap in the politicization of Chinese SOEs in the literature.

To analyze the politicization of Chinese SOEs, the first chapter focuses on providing a background regarding the unique Chinese political structure and the general understanding of SOEs in the literature. In fact, as the core of Chinese politics, the concepts of CCP's party primacy and its integration with the state will be analyzed in more detail. Opening the label of socialism, the role of economic development and its importance for the CCP's survival will be further discussed. In fact, economic development will be a matter of life and death for maintaining a stable regime in the country. While the historical aspect of China's economic development will be briefly mentioned, the discussion will bring the core concept of developmentalism with Chinese characteristics. In fact, referring mainly to the transition from an underdeveloped socialist economy into a developed industrial economy, Chinese developmentalism balances the political ideology of socialism with the liberalization of markets to a certain extent. In order to emphasize the role of SOEs in Chinese developmentalism, the overall understanding of SOEs in the existing literature and the Western experiences will also be covered in the last section of the first chapter. In fact, providing a typical circle of SOEs, the Turkish experience of SOEs will be briefly covered. The Turkish SOEs case also matters for this thesis to demonstrate the main argument because the Chinese SOEs were at a similar stage to the Turkish ones but evolved into a completely new phase at the end.

Following the background information regarding the Chinese political structure of party primacy and economic development, the second chapter will focus on the importance and the characteristics of the Chinese SOEs. Therefore, the reasons of why such a developed huge economy still needs SOEs and the way they were transformed from loss-making economic agencies into profit-making political agencies will be further discussed. In fact, the establishment of the State-Owned

Assets Supervision and Administration Commission (SASAC) in 2003 and the mechanisms of party intervention in SOEs will be the main concepts especially important to analyze the following chapters. The second chapter will also provide the unique networking structure of ownership, supervision, and decision-making processes of SOEs and their connections with other state actors.

After the discussion regarding the political control of SOEs, the third chapter will then provide the international aspect of Chinese economic diplomacy, in which SOEs will act as the de facto ambassadors. This chapter will first show how China shaped its economic diplomacy by *steeping every stone in the river while crossing* by showing the differences between Mao, Deng and Xi's era of diplomacy. The concepts of decentralization and transprofessionalization of diplomacy will be especially important to analyze the role of SOEs in BRI implementation. The chapter will then continue to understand the nature of BRI both from domestic and international perspectives. Taking BRI as a new foreign policy as a spatial version of going out, the implementation process and the network map will be the main sections to discuss SOE's role as de facto ambassadors. The rivalries between state agencies under the implementation process will further enlighten the discussion by opening a new field for SOEs to be politicized. Therefore, the differences between political and non-political role SOEs play in BRI will also be stated. The last discussion of this chapter will be shaped across the two sides of the influence, the political influence of the government over SOEs and of the SOEs over the government. By taking Nie's three models of interaction between SOE and the government in BRI projects, the former one will be demonstrated in Nie's first model of government + SOE while the second aspect will be demonstrated in his second and third models of independent SOE and SOE+ Government. The last section of this chapter will discuss how SOEs are politicized when they go abroad for BRI and how SOEs and government become each other's political tools.

As China stands out as a major political actor on the world stage more and more every day, understanding its methods to go global further comes into prominence. With a unique characteristic diplomacy structure, China benefits from the soft powers of non-state actors. Therefore, to understand global China, the role of its most effective diplomacy tool, i.e., SOEs, should be understood. However, as becoming de facto political agents outside, it should be noted that SOEs can also act in a political way. Therefore, this thesis will fill the gap in the literature by understanding SOEs' political powers in BRI implementation.



CHAPTER 2

CHINESE DEVELOPMENTALISM AND STATE-OWNED ENTERPRISES

This chapter will first focus on the most important concept of understanding Chinese politics, i.e., the party primacy of the CCP. When the role of SOEs in Chinese development is analyzed, the strict loyalty of SOEs to the government grabs attention. Contrary to most countries' desire to make agencies independent in decision-making or make them technocrats, every agency in China is noticed to have a party-related connection, which leads our discussion to start with this core concept. In fact, analyzing them to be the diplomatic tools of the government requires understanding the principle of party primacy in China. As established from a revolutionary background, every action in the Chinese bureaucracy is designed to ensure the continuity of this core principle. After explaining the legitimizing background of the vital party tie with any agencies in China, the second principle of developmentalism will be explained in this chapter as it will present the main framework SOEs will perform within. In fact, the balancing feature of Chinese developmentalism and its evolution from Mao era to Xi era will present an unstable but an effective guidance for SOE actions. Lastly, analyzing the uniqueness of Chinese SOEs requires us first to understand what a non-Chinese SOE looks like and what role they play in modern economies. Therefore, this chapter will provide the general analysis of SOEs throughout their history.

2.1. Party Primacy in China

Understanding the Chinese Communist Party's role in politics and bureaucracy requires opening the label of "socialist" and having a deeper analysis. In fact, focusing only on the ideological background does not provide a comprehensive understanding of today's Chinese politics, and labeling them as socialists means just being blind to the changing internal dynamics as well as lacking the understanding of internal mechanisms maintaining the party dominance (Su, 2011). Three aspects of CCP could be used to shed light on the future discussions of this thesis. First, the most critical key to understanding Chinese politics is to understand the Chinese Communist Party's prior objective, i.e., regime security. It should be noted that CCP transformed itself from a revolutionary party with short-term plans into a governing party with long-term plans. Therefore, it should establish its basis in the eyes of the citizens based on this goal and plan to maintain its supremacy over all aspects of life. That is also why Su argues that the CCP's naturalization of ideology "provides the rightful source of party's authority and serves as a stimulus to mobilize popular consent for the state legitimacy" (2011, p.309). Party primacy's reflection on the concept of socialism with Chinese characteristics also reflects the internal factor of party primacy. In fact, although it requires a much more comprehensive discussion, socialism with Chinese characteristics can be defined generally as the socialist principles defined by the party's ruling committee. In other words, what should be understood from socialism with Chinese characteristics lies in the explanations and promotion of the leader of the CCP at that time. Second, for the Chinese, the meaning of economic growth passes beyond its traditional understanding of what Western countries would mean by it. In fact, economic growth is a matter of life and death for the CCP, i.e., "a survival strategy", to maintain their legitimacy in the eyes of the people and to maintain the consent of the masses for their rule (Dickson, 2017, p.33). The ancient belief that the three evils of separatism, terrorism, and extremism can be prevented by economic growth further cause the government to prioritize

economic development over other issues on their agenda. Therefore, economic development is not just about numbers for the Chinese, it is the strategic way CCP maintains its legitimacy, the essence of socialism for the basis of prosperity, civilization, and power and an internal security issue for political stabilization. Third, although there is a difference between CCP and the state, it is almost impossible to differentiate between them in real life. The party superiority has been set up in a highly complex and multidimensional way in that CCP has a supervisory body over each horizontal line of the government. In other words, while most countries in the world set up hierarchical supervisory and command structures, the Chinese integrated both vertical and horizontal lines with each other. Moreover, the CCP is a vital part of the state. CCP, in China, does not perform like a typical political party controlling the government but instead acts as an inseparable part of the state itself. This also puts CCP in a unique position to literally have a word for every decision in the country. One might argue that CCP's domination might only influence the state agencies, mainly state departments or SOEs. However, the CCP integrates well enough mechanisms to have a word in private actors' decision-making processes as well. In fact, every company in China has to have a government department, in which CCP supervises the company. Therefore, the structure of political power formed by the party-state provides a significant degree of political autonomy to CCP and a strong economic penetration in both private and public actors.

The core principle of CCP's party dominance shapes the political and economic structure in order to maintain the power of the party in every corner of the country at all levels. Yet the most influential survival strategy lies at the core of socialism, providing sufficient living conditions for every citizen. The belief that they can "create a harmonious society through welfare policies" made economic development and therefore developmentalism the most essential part of their agenda (Medeiros & Majerowicz, 2022, p.219). However, the Chinese have a habit of not taking any concept as it is from the West. The unique features of their development way bring

the discussion to what scholars refer to as developmentalism with Chinese characteristics. While at the broadest sense, it refers to the “transition from a relatively underdeveloped socialist economy to an industrialized economy integrated into the world economy (Medeiros & Majerowicz, 2022, p.209), it shed lights to a broader discussion of developmentalism, which will be presented in the following section.

2.2. Developmentalism with Chinese Characteristics

When developmentalism is analyzed, one can argue that it is the core of the political and economic discussions, especially after the destructing Second World War between 1939-1945. Scholars’ perceptions from Western experiences provide a common understanding that markets are social constructs and that “capitalism has historically established itself because it created both market institutions and counterbalancing forces to the process of commodification of social relations production and the anarchy of competition” (Medeiros & Majerowicz, 2022, p.211). The post-war era of regulated capitalism, built upon the war experiences and threats of USSR, provided space for the Keynesian welfare state. Yet, the golden age focused on the government planning and the large corporations, shifting the power from financiers to production engineering of “technostructure” (Medeiros & Majerowicz, 2022). With the Bretton Woods and the disintegration of USSR, the characteristics of the developmental approach has been dismantled, which brought the decline of developmental states in the Western hemisphere.

The traditional understanding of developmentalism emphasizes the fact that the state can play an active role in the economy and developmental process of their countries. Especially with the economy malfunctioning in the 1940s-1960s, the feeling of necessity for the state to intervene in the economy gradually increased. In fact, this intervention covers the direct interference of the governments in the markets, such as

the manipulation of prices or providing incentives for private companies to enter into a specific sector. This also allows the government to choose or decide who will be the winner in the market and who will be eliminated. Although it was in conflict with the liberal understanding of minimal state, states started to increase their intervention and became a producer, an investor, and a regulator at the same time. It can be said that their development attitude is still shaped by liberal and democratic perspectives, both economically and politically while their discussions of developmentalism is shaped within the framework of the Keynesian scheme. Another characteristic of developmentalism lies in its desire to assign related bureaucrats as merit-based on their qualifications. In fact, the assumption that the more politicalized development tools are, the less effective the overall process will be, is mostly agreed upon by the authorities. Therefore, they tried to provide a merit-based assignment of bureaucrats that would perform developmentalism. Lastly, as countries with desire of minimum intervention, their bureaucratic structure was established based on the minimum existence of the state. Yet, the need to intervene in markets required them to have a restructuring of this flow by adding a coordinating body to deal with this.

In addition to the threat of USSR dissolving, economic challenges like problems of capital accumulation started to become visible. In fact, the capital accumulation problems in 1970s tried to be overcome via giving up from the Fordist production and welfare state principles and via transition to minimal state with the hope of deepening the markets (Zengin, 2009). The Washington Consensus and international organizations guiding role to convince states to turn to neoliberal principles should also be noted here to further demonstrate the decline of developmentalism. In fact, to decide the new role of the government of being just a regulator, multinational companies, developed countries and international organizations, ruled by the guidance of the former two actors, played a significant role (Zengin, 2005). In fact, World Bank, IMF and OECD all prepared guidelines for states to transform from state-oriented development to that of market oriented. Therefore, understanding of

developmentalism remained mainly limited due to the unsuccessful experiences of the Western countries.

China, on the other hand, adopts a completely unique perspective of developmentalism. In fact, this uniqueness is demonstrated by the optimum balance between the controlled capitalization by the CCP and maintaining the existing political structure despite the socio-economic changes (Sezen, 2021).

Table 1: Comparison of Developmentalism with Chinese Developmentalism

	Developmentalism	Chinese Developmentalism
Role of the State	Producer, Investor, Regulator	Investor, Regulator, Decision-Maker
Main Perspective	Ideology oriented	Downgrading Ideology <i>(ideology of priorities)</i>
Economically	Liberal	Liberal ¹
Politically	Democratic, Liberal	Authoritarian
Main Scheme	Keynesian	Beijing Consensus, Socialist
Main Mechanisms	Direct intervention in the market	Both direct and indirect intervention
	Merit-based assignment of bureaucrats	Party-based assignment of bureaucrats
	Deciding who will win	Allowing internal rivalry between SOEs
Require internal bureaucratic re-structuring	Yes (As they had to create a coordinating body)	No (As the country already had party primacy integrated into their system)

Source: Prepared by the author.

¹ Although they are both labeled as economically liberal, it should be noted that the mainstream liberal understanding and the Chinese understanding differs. The main reason of this situation lies in the idea that the political and economic aspects of policies cannot be differentiated clearly in such a socialist country and all of them can be considered under the framework of socialism with Chinese characteristics. Yet, certain steps, such as creating a market economy with intense competition among them, overlap with the core principles of mainstream understanding of liberalism. Therefore, in order to demonstrate this economic aspect of Chinese developmentalism, the understanding was labelled as liberal both for mainstream and Chinese versions in the table.

While the uniqueness comes from three main sources of a command economy, geopolitical position, and the “relation between political power exercised by CCP and economic power” (Medeiros & Majerowicz, 2022, p.210), understanding the developmentalism from the Chinese view requires analyzing the historical evolution of the idea itself through the unstable political era of Chinese history, i.e., starting from the Chinese Revolution. It can be argued that throughout their history, the fight was not between the outcomes of the ideas but rather between the *ideologies of priorities*. In other words, when we analyze the foundational era under the rule of Mao, the *ideology of revolution* was at the core, shaping all the other factors around it. From the Chinese Revolution to the Cultural Revolution, the focus was on the development of productive forces similar to those in the West. After the Cultural Revolution, on the other hand, developmentalism was replaced by ideological struggles until the death of Mao, the founder of Chinese socialism. When Deng Xiaoping came to power, the *ideology of reforms* started to shape the understanding of developmentalism in Chinese eyes. In fact, Deng Xiaoping’s famous quote explains how the ideology was pushed back backstage and how the prioritized objective of economic development has been adopted; *It does not matter whether a cat is white or black. As long as it catches mice, it is a good cat.* Deng’s ideology of economic reform and his economic pragmatism required downgrading the ideological fight between socialism and capitalism. Contrary to Mao’s path, Deng adopted the critical principle of using market mechanisms to improve productivity but also followed the ensuring path of maintaining the party’s political power in the socialist path. The economic liberalization and authoritarian politics are, therefore, two key features of Chinese developmentalism. In fact, in almost every economy and ideology-related speech he made, Deng clearly states that for him, the existence of markets is not something defining capitalism, just like the lack of it also does not define socialism. Insisting on socialism and shared outcomes for all also does not mean socialism sees poverty as inevitable and that poverty is something to be shared. On the contrary, Chinese developmentalism highlights Deng’s perfect balance

between the market economy and socialist ideology. In fact, he believes that the existence of markets does not contradict the objectives of socialism unless the power of means of production disperses social relations and creates a new bourgeoisie with political power.

Downgrading the ideological conflict and focusing on the practical balance of capitalist and socialist mechanisms allowed the state to be direct enough to maintain its political supremacy while being indirect enough to allow the developmental-oriented agencies to have internal rivalries at the same time. Especially with adopting the Beijing Consensus, i.e., the Chinese way of developing, the state played the roles of an investor, a regulator, and a decision-maker. Despite the classical understanding of developmentalism and World Bank's insistence of making development agencies as independent and non-political as possible, China followed a party-based assignment model for its development related bureaucrats. In fact, as it will further detailed in following chapters, cadre management system and cross-appointments ensured the political loyalty of agencies.

The overall discussion in the literature regarding developmentalism with Chinese characteristics signals one crucial agency type that has been used as a tool both in a political and economic way; the state-owned enterprises. Although the ideologies, methods, and actors all changed throughout the recent history of the country, SOEs' importance has never been dismantled even in today's current dynamics. Answering the questions of how SOEs played their role in Chinese developmentalism and why they are still relevant in such a strong economic power, necessitates catching the overall academic discussions of SOEs and emphasizing the characteristics of the Chinese ones, which will all be provided in the next sections. The next section will also provide the background information to emphasize how SOEs are politicized and how they gained their own political power to be used for or against the central politics of the country, especially when they operate abroad. In other words, SOEs

turn out to be political tools of the government as well as creating their own political power. In fact, it will be argued that they politicize themselves when they are in a position where they are not a tool for CCP domination and perform exactly as it was ordered by the top but, instead, they interpret the order and at a position to have alternative paths with their own political preferences prioritized. But in order to explain the process of them being both political tools and political agencies, the SOEs should be discussed at a broader level with relevant evolution processes.

2.3. Understanding SOEs

State-owned enterprises are directly or indirectly owned by the government and are usually established to provide economic, political, and social contributions to national policies. Because of the variety of the tasks assigned to them, the differences between the national policies and structures between countries, and the evolution processes they have been experiencing, there has been no clear agreement on the definition of SOEs. However, the most common definitions of SOEs shaping academic discussions can be listed as follows:

- The wide range of organizations owned by the state that produce goods or services (as cited by Altunbağ & Türkoğlu, 2015)
- Companies whose assets are owned by the state, which enjoy the rights of a shareholder (Zhang, 2008)
- Institutions that are established by the state to produce a variety of goods and services and that are wholly or partially owned by the state, and therefore “a reflection of the state in economic life” (Oktay et al., 2021, p.75)
- Kind of enterprise owned and controlled by the government (Nie, 2022)

Although no agreement can be made regarding setting a clear definition applicable to all countries, the definitions above emphasize the *role of the government*, as a

shareholder, controller, or both, and the feature of an SOE to be *a company*. For this thesis, SOE will be defined as any entity with direct or indirect legal shareholder ties with the government that has private company status before the law, conducting economic activities of goods or services.

Although they were not at the same legal status as understood today, the first appearance of SOEs appeared as early as the ancient empires. The oldest examples are the state-led economic entities during the Ming Dynasty in China or the Crown corporations of the monarchies in Western regions. For instance, the monopolization of salt and iron production during the Han-ruled Dynasties of China can be given as the oldest forms of SOEs in history.

SOEs, as we understand them today, on the other hand, appeared especially during the early years of the 20th century. The transition from old forms of government, such as the monarchy and the sultanate, to the forms of new governments, such as the democracy-oriented republics, also required the establishment of institutions, remaining from the old administrations and engaged in economic activities on behalf of the state, in a legal framework with new reforms. The disintegration of the Ottoman Empire necessitated the official definition of economic production institutions belonging to the empire before in the newly established Turkish Republic. In addition to the already established ones, the centrally planned economic model of the Soviet Union and the economic challenges in the Western economies of the era caused many governments worldwide to feel the need of interfering to the economy to ensure stability and growth. In that sense, more SOEs are established and used as economic tools in the hands of the government to overcome economic challenges. In developed countries, SOEs were used to overcome long economic stagnations and fill the strategic and high-cost capital-required sectors' improvement gap, which the private sector hesitated to enter. The fact that these strategic sectors usually overlap with the national political development goals of the government also

made them more enthusiastic about underlining the role of SOEs in the country's economies. The employment opportunities, social welfare, and ensuring the supply chain of necessary goods and services for the everyday life of the citizens also underline the importance of SOEs. Therefore, the social aspect of the SOEs can also be listed among the reasons for establishing SOEs in developed countries. While SOEs played a more supportive role for the developed countries, the developing countries used them to create a new private sector, which lacked competition and efficiency either due to the economic conditions or lack of know-how knowledge, and a tool for implementing regional development priorities (Altunbağ & Türkoğlu, 2015).

When State Economic Enterprises were evaluated as an economic tool in the hands of the government, they were seen as an important development tool, especially when the understanding of the private sector worldwide was not yet rooted and could not progress sufficiently. In particular, the data from various countries provide important demonstrations to show the contribution of SOEs to the economy. For example, in Türkiye, one of the countries that attaches the most importance to SOEs as a starting point, SOEs accounted for 16.6% of GDP in 1986 (Altunbağ & Türkoğlu, 2015).

The undeniable contribution of SOEs to the economy has caused existing academic studies to be shaped within the framework of either purely the economics discipline or, a combination with political science, the political economy. On the other hand, the research regarding the political analysis of SOEs has been quite limited. However, there has been a clear relationship between the SOEs and the government's political power in countries with SOEs.

Although SOEs made significant contributions to the economic development and growth of countries in the beginning, the shift to capitalist and liberal economic

systems due to different reasons in the global order has begun to strengthen the view that the state should intervene less in the economy. The strong political incentives started to shape the economic and political system similarly to the Western idealization of liberalism and capitalism, in which privatization has been seen as the pioneer economic element to develop the economy and therefore strengthen the liberal governments and especially with the liberal-origin international organizations such as IMF, World Bank, and World Trade Organization's guidelines to urge countries to fasten the privatization and their lobbying to first limit the investments to SOEs and then to support private enterprises over SOEs caused the transition from SOE-oriented policies to turn and become privatization-oriented policies sharply. World Bank had always chased private enterprises as the locomotive of economic growth. Although scholars also discuss the theoretical background of this shift in political science and economics disciplines, the SOE's decreasing profits, inefficiency, and lack of competitiveness with the private sector further accelerated the privatization needs of the governments. While strong economies could privatize SOEs relatively easily, developing countries, the economies of which are heavily dependent on publicly controlled activities, had to experience a longer time of transition. Throughout the 20th century, SOEs have been in an unstable position in the eyes of the government. While at first, they were used as economic tools to ensure national policy goals and economic growth, by the end of the century, they started to be seen as *unwanted* child or a *burden* (Oktay et al., 2021).

During the 20th century, in addition to many crises and political changes and the encouragement of international institutions such as the World Bank to the liberal economic order, certain problems experienced by SOEs strengthened the government's view towards privatization and caused them to disown SOEs. First, the rapidly growing number of private companies accessed resources that SOEs did not have and excelled in the market, both in terms of financial and information capital. In particular, the decrease in the support given to SOEs by the state and the limited

maneuvering area of SOEs also worsened this situation. Second, SOEs, which already have a limited share, could no longer maintain their former productivity. Considering the efficiency as the ratio of outputs to inputs, Aharoni points out that SOEs stayed less efficient than they actually could be (2000). This also caused SOEs to put financial pressure on governments and forced them to deal with the increasing financial losses of SOEs. Considering the fact that SOEs were supporting the country's GDP to a great extent at the beginning also means that when they do not function well, their financial losses also put as great threats as they posed benefits before. In fact, by 1989, SOE losses reached up to 9% of the GDP in Argentina and Poland (as cited by Aharoni, 2000). In other words, the governments of Argentina and Poland had to tolerate and replace the 9% of GDP loss by using non-SOE sources, the biggest one being the private sector. Another explanation of this decrease in SOE efficiency lies in the common assumption that the more SOEs are tools of politics, the less effective they will be. Third, as the attitude towards SOEs changed, so did SOEs' productivity and the segments of the society they served. With the privatization attempts and with the strengthening capitalist structure of the economic dynamics, SOEs started to serve people experiencing poverty. They were seen as a way to create employment for them by the government. Lastly, among the strongest arguments of anti-SOEs groups lies the example of the Soviet Union. In fact, for them, the problems experienced during the Soviet era and the disintegration of it prove that centrally planned economies with government intervention cannot work for today's globalized world. Considering all the above, many countries around the world started to implement new privatization reforms and limited the role of SOEs in their political and economic system.

Türkiye, in that sense, can provide a stereotypical but slower Western path to abolish SOEs. In other words, the fact that Türkiye started and ended its SOE reform at very similar points with other countries but has done so in a longer run allows us to see all stages between the start and the endpoint clearly. While the country had SOEs since

the beginning of the modern Republic, inherited from the Ottoman Empire's state-led economic activities, they have been seen as interference tools of the government in the market. At the end of the İzmir Economy Congress held in 1923, it was decided to carry out economic development in a more liberal line and under the leadership of the private sector. In other words, the government decided to follow the path of the capitalist economic model to support national (economic) independence further (Oktay et al., 2021).

On the other hand, state intervention was pushed back to be used only in areas where the private sector was insufficient. In addition to SOEs that were officially established in 1938 with Law No. 3460, the fact that the economic conditions at that time were not strong enough to realize development by the private sector brought the active performance of the SOEs at least until the 1980s. Thus, the government of the time, the Democratic Party, continued state intervention in the market. In fact, SOEs were active in production of industry products needed in the internal market of the country (Kepenek, 2013). In this context, it can be said that Türkiye did not deviate from the line of statism until the 1980s. Particularly between 1950 and 1980, it is observed that SOEs developed significantly both in terms of quantity and quality. The use of an official definition for SOEs in Article 119 of the 1961 constitution also underlined the institutional importance attached to SOEs. However, reasons such as the Oil Crisis shock in 1977 and the decrease in the effectiveness of SOEs, due to the importance given to privatization, forced the government to change the economic strategy. After 1980, due to the desire to fulfill the market's needs and demands and the transformation of SOEs into increasingly loss-making institutions, the transition from the import substitution industrialization model to foreign-oriented industrialization and free market conditions was conducted. The importance of the Washington Consensus in this transition should be noticed. In addition to the resources spent by the government to support privatization, especially between 1980 and 2000, it was aimed to carry out the process in a more coordinated manner with

the establishment of the Privatization Administration. Between 2000 and 2003, the period also constituted external pressure to implement privatization further. Türkiye's desire to join European Union, therefore trying to adopt EU policies, and IMF's pressures accelerated the new period of reforms for SOEs in Turkey. However, the reform process of SOEs did not mean actually reforming them. On the contrary, reforming meant privatizing them (Oktay et al., 2021). While the policies weakened the central control over SOEs between 2003 and 2011, the principle of ruling based on profit-loss financial calculation came into effect for those that could not be privatized. This only criterion of profit-seeking and deciding purely based on financial expectations ensured that SOEs would play the game based on free-market economic principles. The contribution of SOEs to the national GDP gradually decreased as their importance in the eyes of the government. In fact, they generated up to 16.6 % of GDP in 1986, 13% in 1990, and 13.4% in 2002, but only 4% in 2006 (Altunbağ & Türkoğlu, 2015). By 2014, many SOEs in critical national security sectors, such as electricity, telecommunication, and sugar production have been completely privatized. On the other hand, another strategic sector of port management was partially privatized. By 2015, they continued to be ruled based on profit-seeking mechanisms with purely commercial objectives and were also influenced by the international standardization of norms. With Türkiye transitioning from a parliamentary system to its unique presidential system under the rule of Erdoğan in 2018, the authority to control SOEs was given to the president himself but was kept as a passive element by then.

In sum, the fall of SOEs has been as quick as their rise in many countries. By 2010, many countries around the world abolished the SOE method to develop the economy and spend enormous sources to support their private sector. On the other hand, some developed and developing countries like Türkiye did not abolish the whole idea but kept their share in the market at a minimum level, trying to balance the free market economy with limited SOEs. These SOEs were not, however assigned the same

duties as they were before and their share in the market has been gradually decreased by related policies. Moreover, there has been almost no country left that had a political agenda regarding the use of SOEs either in domestic or foreign affairs. However, there has been one specific country that followed almost the exact opposite direction of what many countries have done and what the OECD, IMF, and World Bank suggested: China. In fact, as of 2021, there are a total of 150,000 SOEs in the country, 98 of which are at the central nationwide level (CGTN, 2021; SASAC, 2022). With a total assets value of 259.3 trillion RMB (equivalent to 39 trillion USD), Chinese SOEs constitute a greater share of the economy. As many of the central SOEs are also on the list of Fortune Global 500, they also constitute a national pride abroad. Because of their strong economic standing, they also receive prestigious respect abroad and as seen as the representatives of China. Yet, how come the same style of SOEs is seen as a burden in the rest of the world but seen as a source of national pride in China? The answer to this question lies in the evolutionary reform process China followed, which transformed SOEs from loss-making *economic* agencies to profit-making *political* agencies. In other words, contrary to many other countries with only an economic perspective, China also had a political perspective of SOEs. The Chinese case, in that sense, proves that contrary to what economists from World Bank assume, government intervention in SOE control does not necessarily mean getting an inefficient and “burden” SOE in the end. What China understands from the word efficiency, therefore, is hidden both in economic and political science disciplines. Throughout their reports and guidelines, the most famous one being the Corporate Governance² of State-Owned Enterprises, the World Bank has been insisting on freeing the markets, and if any SOE is

² It should be noted here that the understanding of corporate governance does not necessarily reflect the understanding as the term has been used in the discipline of Business Administration. Despite this situation, the term corporate governance has been used on purpose both by the Chinese government and the author of this thesis in order to reflect the strategy of China playing the game based on World Bank’s rules. In other words, the corporate governance structure has been implied by China to show its adaptability to international standards whereas it also ensures the rules will be set up by the government based on their own values on the other side of the spectrum of political governance.

necessary and impossible to abolish, then it should be ruled with no political influence so that the SOE can perform like a private company, making the market dynamics more efficient. To support this argument Aharoni provides examples from Africa and argues that the economic patronage political leaders get from SOEs personally and seeing SOEs as a wealth source for their personal financial conditions proves that the political interference to SOEs is making them inefficient (2000). Contrary to African countries, countries like Brazil, Chile, Peru, and Thailand could partially remove political pressures over SOEs and increased their performance. In contrast, Germany and Austria reformed them as wholly independent from political agenda and therefore hosted the most effective SOEs (Aharoni, 2000). From this view, it is possible to argue that Chinese SOEs were expected to perform poorly. However, thanks to the reforms implemented throughout the last decades, the Chinese system allows neither any politician to seek personal financial gains from SOEs nor SOE managers to see SOEs as a source of wealth. Especially since the current leader Xi Jinping came to power in 2013, the anti-corruption campaign of China has been considered as an important step. But China's SOE reforms' perfect balancing between the economic independence of SOEs and political ties turned them into effective profit-making political agencies.

This chapter provided the general understanding of the core principles of Chinese politics and the traditional understanding of developmentalism and SOEs. It has been seen that maintaining party primacy has been seen as the most important objective and that desire for regime security has either a direct or indirect effect on every decision taken. Additionally, the meaning of economic development appears to be a matter of life and death for the CCP and serves as a survival strategy as their core ideological background of socialism necessitates sufficient living conditions for each citizen. This obsessiveness of party primacy and economic development also explained the solid integration between the party and state and how CCP became an inseparable part of the state. As economic development means more for China than

any other country, the discussion continued with understanding the classical and Chinese versions of developmentalism. While the former was shaped based on the experiences from WW2 and under the conditions of the USSR threat, it created itself in a Keynesian scheme. However, with Bretton Woods and the collapse of the USSR, the popularity of developmentalism has decreased. On the other hand, the latter one of Chinese developmentalism provided a completely different framework with ideologies of priorities taken in the core. While Mao's era focused on ideological conflicts, Deng downgraded ideological fights and focused on practical use. Therefore, Chinese developmentalism is concluded to be unique in the sense that it balances economic liberalization with the political authority of the CCP. This balancing attitude showed up most in the transition of SOEs. Therefore, the chapter lastly focused on the understanding of the SOEs. It has been seen that SOEs appeared mostly when governments felt the need to intervene in the economy to fix it, especially after WW2. However, together with the decrease of developmentalism and IMF and World Bank's enthusiasm to transform economies into private-led ones, SOEs were gradually abolished. Moreover, as detailed in the Turkish case, the belief that the more politicized SOEs, the less effective they will be continued and shaped the general understanding of the ineffectiveness of developmentalism. Yet, as this thesis argues, the Chinese case provides a different story to analyze. Their successful transition from loss-making economic agencies into profit-making political agencies is based on the core features of the reforms Chinese SOEs were undergone. Therefore, this aspect takes our discussion into analyzing the Chinese SOE structure and history in more detail in the following chapter.

CHAPTER 3

CHINA'S STATE-OWNED ENTERPRISES

To differentiate them from the traditional understanding of SOEs in other countries, this chapter will focus on the unique characteristics of the Chinese SOEs. The fact that they were as inefficient as they were in other countries leads us to ask the question of which reforms have been implied to transform them into effective agencies. Therefore, the reform process of Chinese SOEs appears as a crucial field to discover in this chapter. While the evolution of them throughout the last decades will serve as a guiding source to shape the discussion, it has been noted that new agencies are established and involved in the reform mechanism. Therefore, the agencies and mechanisms in the SOE system will also allow us to understand the political and non-political governance role government plays. Therefore, the government's role will be taken from a broader concept and analyzed beyond being a shareholder. The chapter will first provide reasons for the existence of SOEs in such a modern economic system and then will follow the chronological order of reforms made since the Mao era.

3.1. Reasons for Chinese SOEs to Exist

When considering the fact that state-owned entities have been active enough even in the imperial times in many regions around the world, the question of why such a modern economic system like China needs them in modern times appears. The biggest actors in the private sector of China are seen as among the most successful

companies worldwide in many sectors ranging from technology to construction. However, despite having a stable and strong private sector, China presents a unique understanding of SOEs and makes them needed in the country by assigning them crucial and even strategic roles in the long run. These roles are also crucial to understand the potential SOEs might have in implementing the BRI and how SOEs can be used by the government in the same process. In other words, the overall image SOEs have in the eyes of the government also signals their role in government policies and initiatives like the BRI. The four classical reasons of SOEs' existence in other countries, which are generalized under the categories of economic, political, fiscal, and social reasons, do not fit into the Chinese case. In other countries, the political reasons refer to the political economy aspect, again in line with the economic desires of that country but in China the political reasons present the purely political aspect. Regardless of how well the private sector will do to support China's economic growth as well as its national political goals, the four main reasons for SOEs to exist can be said to be putting them in an indispensable position in the Chinese economic and political system. First, the Constitution of the People's Republic of China clearly states in the first article that "the People's Republic of China is a socialist state" and that "the socialist system is the fundamental system of the People's Republic of China" (National People's Congress, 2023). Besides its political implications in how the country is ruled and how the executive, judiciary, and legislative bodies are shaped, being a socialist state brings strict economic policies and strong ties between the government and the economic agencies, which are supposed to be all public. Although China experienced a transition from a wholly socialist idea of economic structure, i.e., a centrally planned economy, to a market economy and currently has a huge private sector, SOEs' role is still applicable and seen as the base of economic structure. In other words, the existence of SOEs, even in the sectors where there is no need for them, proves that China is a socialist state and has control over every corner of the economy. In that sense, it would not be wrong to say that even if SOEs would have no practical function and would not

contribute to the economy, they will continue to exist and have a crucial symbolic role both within and outside China. However, the fact that they are also assigned an economic role signals the second reason for their existence. As one of the most significant national objectives of China is to maintain stable economic growth. Yet, in such a dynamic world where there can be a sudden military conflict, or a sudden pandemic shrinking the economic, political, and social structures of many countries, the goal of maintaining stable growth in the economy needs a backup plan and resources. In that sense, SOEs are also the financial resources for the Chinese Communist Party and constitute Plan B to consult if any economic scarcity occurs in the forefront economic institutions. Moreover, should there be any market failure in the system caused either by the state or private actors, SOEs act as the remedy and easily hide the problems of the market, helping the government to maintain economic growth on paper. Especially before the SOE reforms, this has been used many times by the government as they were allowed to transfer the resources between agencies and as SOEs did not have a separate profit or a budget. Third, SOEs are the main drivers of strategic industrialization for government-decided sectors. In fact, after 2003, SOEs have been mainly active in the seven key industries, which are mostly the sectors related to the country's national security both geographically and practically, declared by the SASAC. As a socialist state hosting a partial market economy, the government still has the right to decide which sectors will be developed, and which will be eliminated to access government resources. Regarding industrialization goals, SOEs allow the government to have an enthusiastic company in the sectors that some private companies are unwilling to enter but that the government sees as crucial to improve. The fact that the key sectors driven by SOEs are decided by the government also overlaps the economic and political objectives, showing SOEs' direct contribution to the political agenda. Lastly, SOEs under government control of various levels create small societies for the citizens. Providing employment to over 70 million citizens and constituting at least 9% of the country's employment rate, SOEs are crucial to fulfilling the socialist goal of providing

sufficient life conditions for every citizen (World Bank, 2019). In fact, they serve the people and have a social meaning. The housing, health, pension, education, and other types of facilities provided to SOE employees allow them to feel in an SOE society that many would like to become part of. Especially during Mao's time, SOEs were supposed to provide a workshop of the big national factory with danwei units which brought social welfare to the workers (Li & Brodsgaard, 2013). These four main reasons are at the core of the existence of SOEs. However, as this thesis also argues, SOEs are not just effective within the borders of China but also outside of it. Therefore, new core functions of SOEs will also be discussed in the next sections.

3.2. Evolution of SOEs

The four main reasons for SOE's existence puts them in a unique position in the eyes of the government and therefore, make them a unique policy tool as well. Nevertheless, as the policy objectives differed, so did the main structures of SOEs, allowing them to adopt the new conditions more effectively. When their evolutions are analyzed, three main phases can be agreed upon by scholars: enterprization (1979-1992), corporatization (1992-2003), and concentration (2003 and so on). Although, at first, their evolution draws a picture of an unstable process, their change is in parallel with how the government's view towards them changes, i.e., how they are used as a tool for the government. The first transition phase of enterprization started when the low efficiency of SOEs was noticed by the ruling government under Deng Xiaoping. As dependent entities with no separate budget and profit, SOEs were under the direct control of top-level politicians, making them government-affiliated organizations serving a centrally planned economy. However, the low motivation of SOE leaders, malfunctioning, and lower productivity rates signaled a problem in the SOE system, starting the process of enterprization. Although they were inspired by the Japanese business group's model of keiretsu in which a large commercial bank is a central actor of the group and provides financial resources and government

monitoring, the Chinese preferred to draw a clearer line between financial and non-financial, i.e., industrial, SOEs (Lin, 2017). Therefore, instead of creating business groups by taking a bank in the center, they had a non-bank finance company and shaped the reforms based on that. The phase's main objective was to transform them into autonomous economic productive entities functioning again under a planned economy. Law of Industrial Enterprises Owned by the Whole People, in that sense, allowed SOE managers to take more power and responsibility. The experiments of *fang quan rang li* from 1979 to 1986 and the contract management responsibility system from 1987 to 1992 also enhanced the practice of the law. While the first allowed government to choose the SOEs with the bigger potential in the future, the latter specified the distribution of power, profits and obligations between the government and the SOE manager (Jin et al, 2022). At first, SOEs' production increased, signaling a positive outcome of the new law. Because while the first practice made managers motivated to give more revenue to the state, the latter allowed them to bargain with the state to protect their own interests. However, the fiscal revenue the state was getting, in the end, remained the same, which Li and Brodsgaard argue to be due to the information asymmetry and principle-agent problem (2013). After SOEs were getting more and more enterprized, the second stage of corporatization was put into effect under the leadership of Jiang Zemin, aiming to turn them into stockholding companies with crystal clear duties and authorities. While the border between government and SOE functions was blurred before this reform's law of Company Law, released in 1993, the new reform allowed them to be more like an individual corporation. However, Company law also gave incentives to other types of companies as well, causing some SOEs to decrease their productivity. In fact, more than 60% of the largest SOEs were lossmaking, causing the government to implement their *zhua da fang xiao* policy of keeping big and letting go of the small SOEs (as cited by Li & Brodsgaard, 2013). The main evolution step for SOEs to become a crucial element of BRI implementation, on the other hand, starts with the third phrase of concentration. The establishment of the

State-Owned Assets Supervision and Administration Commission (SASAC), in that sense, is a crucial characteristic of this phase and allows the control of government to increase over SOEs because all the SOEs then became under the direct control of SASAC. In fact, it is redefining the relationship between SOEs and the state. The advantage of this phrase is the fact that it both increased the party effect over SOEs and also made them commercially capable of competing in the market not just within China but also outside of it. The organizational advantages SASAC brings also further accelerated the government favoritism towards SOEs. With SASAC's leadership as the central control body of all the central SOEs, the loss-making burden of the government turned out to be profit-making enterprises, which then increased their significance for the government. This dual advantageous relationship also created a vicious cycle for them to strengthen each other further. The SASAC structure and its effects on SOEs will be further analyzed in the next sections, but it is also crucial to note here that SASAC has all the legal powers as a shareholder but initiate more than shareholder control over them. In fact, Lin argues that it plays the roles of a "regulator, shareholder and sometimes manager" (2017, p.596). Some supportive mechanisms like rotating top executives, managerial rights over different levels of execution, and overlapping positions with the CCP through a cross-appointment system also tightened the centralization of control mechanisms in the hands of one unified agent of SASAC. This centralization will be important in the further analysis of this thesis as it allows the political agenda to be implemented more effectively in areas where CCP cannot access as a political party. The SOEs, at this exact point, will represent CCP and the government initiatives in a de facto way through the control of SASAC. In 2013, the government deepened the reforms and its control over SOEs through classified management system, capital-based management and mixed ownership reforms, all of which carried the party leadership to a higher extent. The Guiding Opinions on Deepening the SOE Reform, released in 2015, on the other hand, required SOEs to incorporate Party-building work into their corporative governance (CCCPC State Department, 2015). The same reform also

redesigns the governance bodies as three boards and one management team; Party Committee, Board of Directors, Board of Supervisors, and one management team at corporate level. In fact, the constitution of the Communist Party of China Article 33 clearly states the duties of the Party Committee over SOEs as tracking the SOE and ensuring that each of their activities are in accordance with the party principles and strategies (CCP Constitution, 2022). The overall picture of the reforms of SOEs presents that the government addressed economic concerns when economy is more of a important statue nationally at that time and addressed political and social objectives when non-economic factors are on the agenda (Jin et al., 2022).

Throughout the reform process, China followed several unique steps to reshape its SOEs and turn them into effective political tools. These steps were designed to address various challenges seen in the former SOE management. Turning them into financially independent agencies further accelerated the profits they made and allowed the government to eliminate the loss-making ones. While cutting the financial dependence of SOEs and providing them the independent ones, they ensured the political dependence of SOEs by implementing the ex-ante system, i.e., giving the power of veto to the party committee in each SOE and appointing the managers from the Party committee directly. The government also did not ignore the problem of the lack of motivations of SOE executives back then and increased the motivations of them via responsibility contract management system, which recognizes the efforts made by the executives to fulfill government desired outcomes. China actually followed most of the World Bank's suggestions that SOEs should have a private company style of bodies such as board of directors. In parallel with this suggestion of the World Bank, government restructured the management systems of SOEs into "3 teams and 1 management" structure but it also protected its Chinese characteristics of party dominance and played the game based on World Bank rules. As its core to every activity in public life, the government ensured the parallelism of each action of SOE with the general principles and strategies of CCP.

Intra-party supervision, in that sense, also ensured the appropriateness of all SOE actions from top to bottom based on the party principles.

3.3. Mapping the SOE Networks

The mechanism SOEs are ruled and controlled is of crucial importance to understanding the further analysis of this thesis. Before the establishment of SASAC in 2003, the SOE networks and control was in a complex, multidimensional, and party-led structure under various state department and ministries. The lack of coordination between these departments, on the other hand, was also seen as a challenge for SOEs to become successfully ruled and produce efficient outcomes. Whereas with the SASAC being the main controlling agent over all industrial SOEs, the coordination problem was largely solved. Understanding the SOE network within the SASAC framework is also important to specify the specific effect mechanisms the party has over the SOE and to clearly identify the actors and types of relationships those actors have between them. While SOEs, SASAC, government agents from various administration levels, and financial institutions are among the core actors in the network map; ownerships, alliances, human capital resource exchanges, and supervisory affairs shape the relationships between them. These actors and relationship types are also the main prior dynamics when SOEs are turning out to be the de facto ambassadors of the government for BRI implementation overseas.

As Chinese policies draw a crystal-clear line between financial and non-financial sectors in every field of business, it is not surprising to see that the Company Law also differentiates between them. Whereas financial SOEs are assigned under the control of the Ministry of Finance, non-financial and industrial SOEs, which will be the focus of this thesis, are assigned under the control of SASAC. Yet, both Ministry of Finance and SASAC are under the direct control of the State Council, a strong

element of the CCP, signaling the party-state-centric model of SOE management design. SASAC controls the core company of SOEs, whereas each core company has various sub-divisions in different fields, such as the listed company, finance company, and research institutions. The core company decides the group's development strategy and is the bridge between the state and the company's lower levels. It transfers the information from below, commands of the above and gives advice to the upper level of SASAC. The listed company is the most apparent one due to being the image or the symbol of the group for the outsiders although their subsidiaries are among the most effective ones. When the group will be listed in other countries' stock exchanges, for instance, the listed company represents the group and gets listed. Despite the strong hierarchical control of SASAC over the below levels, SASAC's control over subsidiaries is the most indirect and the weakest one. This vertical and multi-layered structure can be understood as institutional bridging and the system outcome as a network hierarchy (Lin, 2017).

Most of the BRI projects require financing of BRI directly from either financial SOEs or Chinese-led international organizations like Asian Infrastructure Investment Bank (AIIB). This also requires coordination between two separate types of SOEs, financial and non-financial ones. The key coordination in the current model is conducted through the State Council directly, ensuring the control of the party and the availability of the proposed project for the political agenda.

Although such a mechanism provides the best system for SOEs to effectively control their own interests and contribute to the national objectives of the CCP at the same time, not every agent in the network seeks the same priorities. In other words, it is possible to have conflicting interests of different state organs, both of which have control over SOEs. Even though the conflicting agents performing within the borders of the country might be bigger in number and more intense in terms of the desires they have, for the purpose of this thesis, the most important conflict of interest

appears between those of the Ministry of Commerce (MOFCOM) and those of Ministry of Foreign Affairs (MFA). Moreover, the fact that SOEs' partially independent structure allows them to be separate companies and therefore gives them the ability to interpret the national policies to follow abroad makes SOEs strategic decision-makers between the interests of MFA and MOFCOM. Chinese leaders mainly steer SOE activity through broad targets and principles, which gives SOEs a possibility to understand those targets and principles in a way that will also overlap with SOE's own interests.

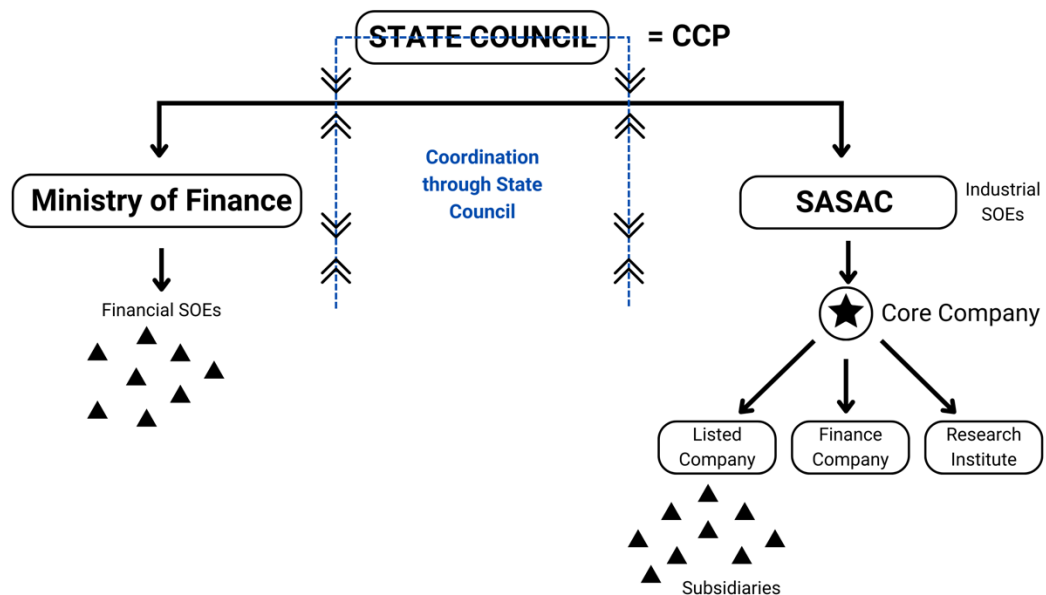


Figure 1: Ownership Structure of Chinese SOEs

Source: Designed by the author.

3.4. Relationship between the Government and SOEs

Besides the vertical relationships between SASAC and SOEs, scholars also analyze the cooperation or command relation between the government and the SOEs. It is important to emphasize the fact that, as was discussed in the first chapter of this thesis, the government exactly refers to the Chinese Communist Party and that the

Chinese Communist Party exactly refers to the government of China. In that sense, due to the natural structure of the Chinese political system, throughout this chapter, two words will be used interchangeably. When it comes to analyzing the government's relationship with SOEs, two sides shaping most of the literature appear as the negative approach and the positive approach. The negative approach takes SOEs purely as independent entities. From this perspective, an SOE decides which projects to enter, which to avoid, or based on what criteria they will choose a target country to go global. While the main objective of this approach argues that an SOE takes only the commercial benefit they will gain at the end and therefore acts with no difference than a private company, it totally ignores any possible effect the government may have over the decision-making or implementing process of SOEs. On the other side of the spectrum, the positive view, on the other hand, turns the scenario upside down, by arguing that the government is the ultimate decision maker and the SOEs are just the tools in the hands of the government with no preference or desire. However, by analyzing the framework SOEs are conducting their activities in, one can clearly argue that both sides have strong proofs to be supported but neither the positive nor the negative approach can explain the SOE activity alone. To provide an alternative to this dilemma, Nie offers 3 theoretical models to differentiate the types of relationships between the government, in a general sense, and SOEs: The instrumental approach, cooperation approach, and weak connection approach (2022). The instrumental view suggests that the Chinese SOEs are state agencies and therefore they are as concerned as other state agencies to support and achieve the national objectives of the central government. In other words, they are the “proxies of the government or the designated executors of China’s national strategies” (Nie, 2022, p.385). With the economic terms, the government turns out to be a *grabbing hand* to control SOEs. This approach also explains why SOEs prefer the interests of the state in scenarios where the state’s and shareholder’s interests clash with each other. Top executive officers of key SOEs, who are all appointed by the party and also are CCP members, always seek the best outcome for the government, even if

they know that it will hurt the shareholder's financial or non-financial interests. The second approach of cooperation can be described with again the economic term of the government's *helping hand*. This approach is especially applicable to the foreign activities of SOEs, such as the projects under BRI, and refers to the situation that government takes the responsibility to prepare the appropriate conditions for SOEs to enter the specific market/project, coordinates all high-level meetings with other countries' authorities and make the other country ready to welcome Chinese SOEs while also motivating its SOEs to conduct such a project, bringing the win-win. In other words, the cooperation argument suggests that "the government setting up the stage and SOEs performing" (Nie, 2022, p.386). The third approach of weak connection argues that the de jure independence of SOEs allows them to adapt, modify or subvert government policies and argues that there is no significant relationship between these two agents causing any specific outcome. However, this last approach has been provided just as a possible scenario while the strong ties between them are agreed upon by scholars around the world (Nie, 2022).

3.5. Political Governance of Chinese SOEs

SOEs are unique agencies not just in terms of their ownership structures but also in terms of their governance mechanisms. In other words, SOEs have combination of both corporate governance mechanisms and also political governance mechanisms. Corporate mechanism refers to the classical private enterprise followed design of the governance with related managerial bodies like the board of directors or supervisors etc. As might be expected, in corporate governance structures the managerial bodies of the companies work solely to provide optimum outcomes for the shareholders, which are usually defined as the maximum financial wealth the owner might get from the economic activities of the company. In the case of China, the corporate governance structure of SOEs also requires them to be legally bound by the Company Law of China released in 1993. The political governance mechanism, on

the other hand, brings special objectives to SOEs decided by the government. In that sense, 4 main pillars of SOEs to fulfill political governance can be listed as follows: state ownership, cadre management system of the party, participation in decision making and intra-party supervision (Jin et al, 2022). As discussed in previous sections, the ownership structure of SOEs differs. From those private enterprises and make them legally owned by the state, which then shows every action by any political agency over SOEs legitimate because at the end of the day they are the owners of that company. However, it might be crucial to note here that official document and speeches from Chinese authorities clearly states that SOEs, just like every other government asset, are *wholly owned by the whole people*. Yet, the idea of government are given control of the will of the people puts them in a legitimate position. Therefore, ownership relations between the SOE and the government can be seen as a crucial one to legitimize the next three pillars further. The second pillar of the party's cadre management system is, on the other hand, where the actual political influence appears in the rule of SOEs. The general principle of this system indicates that the top executives of key SOEs, which are again decided by the government, are appointed by the central committee of CCP, whereas executives of non-key SOEs are assigned by SASAC, which is under the direct rule of the State Council. The SOE executives appointed by the cadre system are both managers and also quasi-officials with certain political titles within the party. While the system ensures that executives are chosen among the people who are all acting in line with the party's political ideology and fully understand the principles and necessities it brings, the executive officials appointed to top managerial levels are aware of the fact that they are bounded by both the party rules and by the Company Law and that they have to balance both. However, appointing the executives does not guarantee that execution will be smooth and bring the pro-party agenda to the table. To be able to take measures, when necessary, the government also implements the ex-ante and cross-appointment systems as the third pillar and actively involves in the decision-making processes of each SOE. The ex-ante system is designed to ensure the party is

informed and approve all the decisions made by SOEs. If any unwanted decision is put in the agenda, the party committee has a right to veto and therefore suspend the execution of that decision. In that sense, the ex-ante system stands out as the most concrete and strong tool to influence and redirect any SOE decision. However, the veto power is supposed to be a rarely used tool in the hands of the government because the cross-appointment system already ensures that the decision makers are all in line with the party and has no agenda in their mind but the party's one. The cross appointment, then, refers to the appointment of the official party members into decision making bodies and they continuously rotate among similar committees of different SOEs. The last pillar of intra-party supervision, monitors and reports the general performance of SOEs and is directed under the discipline inspection committee.

The market-oriented recruitment system is also among the crucial elements of SOE employee selection, which also ensures a strong political overlap with the party. While the fact that they are chosen from the labor market implies that they have an intense internal competition between them, it has been used many times as a common criterion to choose SOE employees. In fact, by 2012, 141 positions at various levels were required to be chosen via this system and the committee chose 600,000 managers, all of whom could maintain their political identity and the benefits it brings (Jin et al, 2022).

Hosting more than 150,000 SOEs in its territory, controlling SOEs also requires the government to categorize them to make them more manageable. This categorization significantly effects the dynamics between different levels and types of SOEs and also the nature of the relationship between the government and the SOE. The local level SOEs for instance are considered among the most competitive ones as they compete with the same levels of SOEs from different regions with similar success stories. The central level ones, on the other hand, are those seen as the most

successful ones worldwide and therefore have a better chance to be the monopoly in their specific field of work. While the levels an SOE affect the possibility to be the de facto ambassador of China abroad considerably, it will be discussed in detail in the third chapter of this thesis. Yet, the types of SOEs should be mentioned here as it also decides how much the government will intervene in a specific SOE with which tools and how likely the government will see a specific SOE type appropriate for going global.

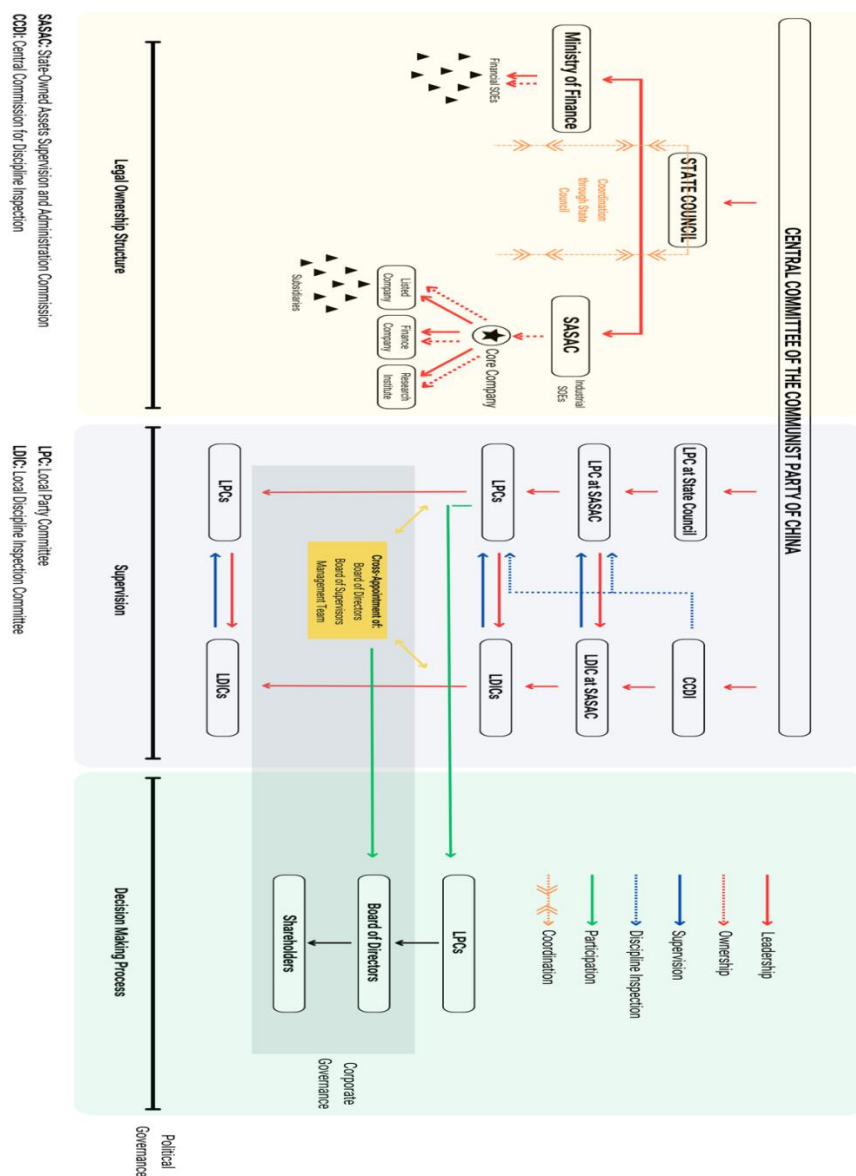


Figure 2:Ownership, Supervision and Decision Making Processes of SOEs

Source: Adopted from Jin et. al. (2022), ownership structure detailed by the author.

The Guiding Opinions on Functional Definition and Classification of State-Owned Enterprises, released in 2015, provides clear guidelines to differentiate different types of SOEs and categorizes them into 3 types: commercial SOEs, commercial SOEs in strategic industries, and SOEs in utility industries. The commercial SOEs draws a picture of the most independent SOE type. Their activities are mostly directed by the commercial interests and because of the high competition rate in the sectors they operate, they adopt the idea of the survival of the fittest and act based on that. Although it is impossible to think any SOE totally independent of the party, it can be argued that commercial SOEs are the least influenced by party interference and political agenda. The main objectives of them include improving the vitality of the state economy and increase the value of the state assets (Jin et al, 2022). The second type of commercial SOEs in strategic industries, on the other hand, are scrutinized by the party at a considerable level as they operate in key sectors like infrastructure, telecommunication military equipment or artificial intelligence, all of which are seen as a matter of national security and economy. In fact, the Made in China 2030 initiative declared by the CCP declares China's national goals of being the leader of such industries in the world by 2030. Therefore, commercial SOEs in strategic industries are the most influenced one by the party and the political agenda but this also brings them the unique prestigious advantage to be the one going global. The last type of SOEs as those in utility industries works almost with a non-profit principle as they serve for the people and public good usually within China. They are also considerably affected by the political agenda but in a more domestic politics level.

This chapter provided the unique transformation process of SOEs and analyzed how the government maintains its political control over them. Starting from the main reasons why the Chinese government still keeps SOEs in its system, it has been seen that SOEs have economic, political, and symbolic functions. Transforming them from loss-making economic agencies to profit-making political agencies became

possible thanks to the three-folded evolution processes of enterprization, corporatization, and concentration. While the discussion on the characteristics of these phases deepened the understanding, the map of the SOE network provided the list of agencies involved in the typical anatomy of SOE functioning. The solid presence of SASAC and Party Committees emphasized that SOEs' state relations go well beyond the state just being a shareholder. This strong existence leads the discussion to differentiate political and non-political governance of the government over SOEs. In fact, while SOEs have to follow Company Law due to their official status of being a private company, mechanisms of political governance such as cadre management system, ex-ante veto system, and intra-party supervision allow the government to perform its political governance over them. The clear-cut distinction between financial and non-financial SOEs governance also pointed out a significant hint that will be further important to note in the following sections. It has been seen that the party is quite active in every stage, from ownership to internal decision-making. As this chapter concludes, the way political governance over SOEs reflects itself abroad stands out as a new field to discover in the following chapter.

CHAPTER 4

BRI AND CHINA'S ECONOMIC DIPLOMACY THROUGH SOEs

The discussion in the previous chapters allowed us to see the internal dynamics of Chinese SOEs and their importance for the domestic approach. However, as this thesis argues, the developmentalism of China also has a different phase of focusing on outward performance. In fact, this outward performance is mostly done by Chinese economic diplomacy. This fact brings our discussion to the next step of analyzing the core aspects of Chinese economic diplomacy. Although a brief historical aspect should also be covered to understand the background, the BRI will constitute an active case study to observe such diplomatic effects with a huge geographical coverage around the world. The BRI will also constitute a new phase in Chinese developmentalism, shifting focus from internal to external activities. Therefore, the need of understanding BRI's domestic and international meaning also appears to be discovered in this chapter. After providing the general dynamics and approaches of BRI, the role of SOEs in practical implementation will be analyzed. In fact, Nie's three models (independent SOE, SOE +Government, and Government + SOE) will provide a robust theoretical model to categorize implementation flows, each of which assigns different roles to SOEs with different powers. While the first model will provide the most political SOE profile and therefore have the most power over the government, the third model will draw the picture of SOEs purely as government tools. However, at this point, the differentiation between political and non-political roles needs further explanation. In that sense, the political scenario will be taken as when SOE has more than one path to follow to achieve the same

objective of the government but with different non-economic priorities taken into account. In other words, it will present a case where SOEs have the ability to *interpret* government principles and become agencies to influence and manipulate the political dynamics. Lastly, to demonstrate the main argument of this thesis, the practical powers of the government and SOEs over each other will be explained one by one and provide proof that they have turned out to be each other's political tools.

4.1. Chinese Economic Diplomacy

Since the opening-up policies of China under Deng Xiaoping starting in 1978, the country has gradually increased its economic and political power on the world stage. The sharp increase in foreign direct investments in the country, saving 800 million people out of poverty, quick industrialization making China the factory of the world, and doing all these under a non-Western development path grabbed significant attention from scholars from many disciplines. Yet, in addition to statistical numbers proving the successful development of China, the key feature, Chinese economic diplomacy, making all these happen should also be analyzed. Throughout the diplomacy analysis of the country, Deng's principle of *feeling every stone while crossing a river* can be seen clearly. In other words, each leader is supposed to make their own shift in diplomacy preparing the system for the next move under the rule of the next leader.

As discussed earlier, Mao established the ideological and political structure of today's China. His revolutionary characteristics did not just reflect in domestic politics but also carried this revolutionary perspective to external affairs. In fact, his revolutionary diplomacy focused mostly on networking with the external groups that would support and strengthen the revolution both at home and abroad. Deng Xiaoping on the other hand, further enhanced revolutionary diplomacy by adding the elements of developmentalism for China. Deng's development diplomacy, in that

sense, ensured domestic reforms and economic developments to create a base for *global China*, i.e., *a major country*, under the rule of the next leader. As he refers, by *hiding their capacity and biding their time*, they developed their external affairs in a quiet way to ensure the external support they will get when they appear on the global stage. Contrary to Deng's patience, Xi draws a more assertive picture of Chinese diplomacy with more ambitious and concrete objectives. Thanks to his *major country diplomacy with Chinese characteristics*, China is apparent at the global stage more than it has ever been. Especially with his brand initiative of Belt and Road, the Chinese way of seeking interdependence between countries and win-win cooperation has been the main focus of Chinese diplomacy.

The involvement of BRI to the Chinese economic diplomacy shaped the academic discussions around various concepts such as infrastructure diplomacy or heritage diplomacy. While the first refers to the Chinese' reliance of bridges, roads, ports or other strategic infrastructures abroad, the latter focuses on BRI's objective of achieving people-to-people connection under the community of common destiny (人类命运共同体- *ren lei ming yun gong tong ti*). Despite the changes in their focus, most of the concepts scholars use refer the state-centric focus as well as the dominant role CCP plays. In fact, while McConnell and Woon gives credit even to interpersonal relations of Chinese diplomats abroad, they argue that the state-centric model of defining diplomacy lacks the understanding of non-state actors playing as significant role as state ones (2023). It is mostly agreed that diplomacy turned out to be the central apparatus of the CCP in shaping how the Chinese diplomatic system functions but the approach proposed by McConnell and Woon further enlighten the diplomatic role SOEs play in BRI. As referred to as the *decentralization of diplomacy*, the non-CCP and non-state players have been granted their positions in this de facto diplomacy. In fact, the powers and authority of the Ministry of Foreign Affairs (MFA) were gradually limited and the diplomatic role has been spread to different actors, one of the most important ones being SOEs. Additionally,

geographical decentralization also allows non-CCP and non-MFA delegations to be assigned certain political roles abroad. Shi and Ye refer to this as the “fragmentation of functions and thereby incentives among actors” (2021, p.175).

The BRI, in that sense, is positioned exactly at the cross-cutting of these two aspects in Chinese new diplomacy under Xi. In fact, while spatial strategies of the initiative cover geographical decentralization, the involvement of SOEs turned out to be the most concrete example of decentralization of diplomacy. In fact, as scholars refer to, the silhouette of *Global China* started to appear in every corner of the world. Global China, as it refers to the unique networking and presence of China abroad with different categories of institutions, is what makes Chinese diplomacy unique among all the other countries. Moreover, the historical observations of the change in Chinese economic diplomacy signal that the Xi era will facilitate such an objective with non-state actors under BRI’s massive projects. The diplomacy discussion, therefore, shows the way up to analyzing BRI and the role of SOEs in the decentralized diplomacy of BRI in the following section.

4.2. The Belt and Road Initiative (一带一路)

4.2.1 Defining BRI

In October 2013, Chinese President Xi Jinping made a historic speech at Nazarbayev University in Kazakhstan. It was not the fact that he made this speech just after taking the office of General Secretary of the Chinese Communist Party and therefore became the President almost a month ago, making this speech historical but rather the messages it carried. He first mentioned *the Belt (yi dai, 一带)*, a modern trade route following the route of the ancient Silk Route, i.e., creating a new Silk Road to further awaken the importance of Asia, China, and Central Asia. At first, many thought it would be just cooperation between China and the region until President Xi

made his second move a month later during his address to the Indonesian parliament and mentioned *the Road (yi lu, 一路)*, a maritime route connecting Asia, Africa, and Europe.

Since Xi Jinping's first speech about the initiative, every speech he made and every official document published claims that the initiative is not just a trade route; on the contrary, it goes far beyond and touches people's lives. Contrary to what many thought when the initiative was first announced, only two of the five objectives of the initiative is directly related to trade. Stated as *unimpeded trade* and *infrastructure connectivity*, the initiative covers hard infrastructure projects that will fasten the transportation of goods, mainly exported from China to many countries on different continents, and therefore, will benefit the enhancement of the overall global trade. While unimpeded trade refers mainly to the establishment of trade zones and agreements with other countries to further deepen economic relations, projects under infrastructure connectivity are of crucial importance (1) to access the markets of underdeveloped countries in Africa, (2) to fasten the transportation and allow more productive trade outcomes in the same time period, (3) to reduce the cost of transportation of goods and (4) to allow landlocked countries with insufficient logistics infrastructure to become part of the global trade. These four objectives do not just underline the *factory of the world's*, i.e., China's, leading role in global trade but also reflect the Chinese understanding of a win-win at the end for those underdeveloped countries, which will get advanced level infrastructure within their territories.

Besides unimpeded trade and infrastructure connectivity, the initiative is supposed to fulfill the following three more objectives:

- **Policy coordination:** Policy coordination refers not to a specific area of business but to be achieved in every area. The insufficient know-how skills in many

underdeveloped countries and the influence of China provide them with an alternative path to develop their own systems and shape their institutions in line. Here, it is important to note that joining BRI does not bring any political conditions to the participating country. However, for those underdeveloped countries who neither have sufficient resources to develop themselves with the Western way of developmentalism nor have the willingness to do so for a variety of reasons, policy coordination through BRI provides them an alternative in which the resources are already provided either by China or by China led institutions like AIIB.

- **Financial integration:** The financial integration objective of the initiative is among the most criticized aspect of BRI by the major economic power of today, the U.S. Especially with the internationalization of Chinese currency RMB and with more financial agreements with participant countries, such as SWAP agreements, the economic growth of both China and BRI countries is supposed to be gaining more independence from US dollar hegemony. In fact, most BRI projects are contracted either by using RMB or local non-US currencies. With prioritizing financial integration, what China is trying to do is not trying to take a bigger piece of the cake but rather trying to make the cake itself bigger for all, which will automatically strengthen both Chinese economy and its relations with BRI countries.
- **People-to-people connection:** The most interesting aspect of BRI appears under its objective of people-to-people connectivity. It touched upon the rarely focused level of any political initiative in history so far; the people of the participant countries themselves. In fact, the people refer to a wide range of citizens in any country, and the initiative covers many facilities to tie the two countries' people. In fact, China Aid programs are among the most active ones, connecting government officials around the world and training them regarding BRI-covered

aspects of projects. For instance, digital governance, green energy, management, diplomatic leadership, biodiversity, and transportation technologies are all among the catalog of training programs provided by the Ministry of Commerce of China, which aims to increase the knowledge of know-how in participant countries. Moreover, the Confucius Institutes are seen as the educational ambassadors to reach the young generations of participant countries and share the common cultures and heritage around the world.

Analyzing the objectives above, one can clearly conclude that it is not just bridges, highways, or energy plants that China is building. Rather, it is the upgraded foreign relations strategy covering spatial calculations and an extension of the going out approach with today's dynamics. In fact, it can even be described as the combination of Chinese periphery diplomacy with hard infrastructure in the spatial matter. The economic, geographic, financial, and social effects it brings also strengthen this argument.

4.2.2 Scope of BRI

The scope of the BRI is among the most unique characteristics of the initiative. In fact, that is also why it has grabbed enormous attention from many major powers around the world. It is seen as the biggest initiative human history has witnessed. As of 2023, the initiative geographically covers the countries constituting one-third of the world population and 40% of the Global GDP (Council on Foreign Relations, 2023). When the BRI first launched by Xi himself, the geographical scope was not clearly defined, and this allowed BRI to be an “evolving initiative”, signaling another characteristic of BRI (Bahçecik, 2017, p.55).

As of March 2022, 149 countries have formally ratified their accession to the BRI and signed the relevant MoU. The fact that even the US alliances, which are known

around the world for being against BRI, expressed their willingness to take part in this project increased the prestige of the project worldwide and underlined that the project has a win-win understanding beyond political interests. In such wide-impact geography, the project is expected to affect 4 billion people in the world directly.

Although it has been a decade since President Xi declared the initiative, no official map of BRI has been released. In other words, despite the existence of statistics showing how many countries are covered by the initiative and the definitions of the belt, i.e., the railway roads and the road, i.e., the maritime road, no official map ever included in any official documents. The definitions allowed scholars and policymakers to draw their own maps and make their analysis based on that, but the lack of an official geographical map also signals the aspect that BRI is not just a bunch of technical hard structure building projects but rather carries the elements of being a soft strategy of foreign policy or, as this thesis also suppose, the spatialized version of China's going out policy.

Nevertheless, analyzing the initiative still requires a geographical approach. When examined geographically, the project draws a modern silk road project, both by sea and land. Starting from the East coast of China, it reaches almost all continents in the world, including Mongolia, Russia, north-south Asia, Europe, Africa, and Latin America, and connects China with 149 countries. In fact, the Belt and Road covers (BRI Investment Report, 2023):

- 44 countries in Sub-Saharan Africa
- 35 countries in Europe & Central Asia
- 25 countries in East Asia & Pacific (including China)
- 21 countries in Latin America & Caribbean
- 18 countries in the Middle East & North Africa
- 6 countries in South East Asia.

Although the project attaches great importance to soft power elements such as direct people-to-people connections, culture, civilization, and policy integration, the physical connection of 149 countries, first with China and then with each other, requires material infrastructure projects, such as railway, bridge, dam and port constructions, to constitute the biggest investment in the initiative. As of 2023, the total investment spent for the project reached 962 billion US dollars, and 67.8 billion dollars of this amount was realized only in 2022 (BRI Investment Report, 2023).

4.2.3. BRI from Chinese Domestic Perspective

As can be expected from every sovereign country in the world, every action of the Chinese Government involves a detailed calculation that will either directly or indirectly affect its domestic politics. Although the existing literature on BRI is shaped mainly around the international aspects, for the purpose of this thesis, a domestic political analysis of the initiative should also be covered.

As discussed in the first chapter of this thesis, the regime's security and the party's primacy is the top priority of Chinese politics. Regardless of how the global dynamics change, every decision has been calculated and made in order to maintain unquestionable party supremacy. BRI, in that sense, provides an internal tool to maintain a stable regime and to ensure the rule of the Chinese Communist Party (Rolland, 2017; Eisenman, 2018; Yu, 2018; Jones & Zeng, 2019). Besides the legal background that already protects the Party from internal and external threats, each step BRI has been designed, negotiated, decided, and implemented is full of CCP diplomats and bureaucrats, ensuring the use of BRI diplomacy to strengthen the CCP's internal objectives. Additionally, the de facto CCP-led agencies' existence abroad also strengthens CCP on the global stage. The CCP's image, therefore, strengthens with every accomplishment of BRI.

BRI has been introduced and thought to be the idea of President Xi himself. In fact, in parallel with his idea of the Chinese Dream (中国梦-Zhong Guo Meng), he is determined to make his own unique contribution to China's development. In fact, all the terms of the presidents before him had characteristic strategies to shape the country's destiny. As the foundational leader, Mao could provide a robust system and a basis that all the leaders after him built upon. His successor Deng Xiaoping allowed China to be seen on a global stage with his opening-up policy and further strengthened China's internal dynamics with the outside effects. Xi Jinping now tries to build a modern China compatible with the Western modern powers but maintains *socialism with Chinese characteristics* (中国特色社会主义- zhong guo te se she hui zhu yi). In fact, this term covers what Xi's era adds to the traditional understanding of socialism, meaning that socialism is re-designed according to the party's needs and understanding and therefore turns out to be as what the party decides as new path to follow. His success so far could be seen as well enough that with the constitutional change in 2018, he was granted people's trust and the presidential term's limit of two has been removed. He analyzes this extension as in parallel with the long implementation of BRI and argues that the longer BRI will be implemented, the longer he will serve as the president and leave his own sign to the Chinese history for future generations (He, 2019). In other words, his success rate for Chinese people is also in line with the success rate of his unique project, BRI (Jiang, 2021). Through BRI, he takes this role to the upper level and contributes not just within China but outside of it as well (Callahan, 2016).

Parallel with the first advantage of BRI in domestic politics of maintaining party supremacy, the most important step to ensure it lies in the priority of economic growth. Especially when looking historically, Chinese society witnessed tremendous poverty, some of which occurred due to external threats while unstable political conditions of the era caused others. However, from the 1990s, The Chinese started to

enjoy the privilege of being middle class and being listed among the super economic powers of the world. The Chinese belief in the prevention of three evils' spread is also affiliated with economic growth. In fact, the three evils, i.e., separatism, terrorism, and extremism, are thought to be the challenges that can be prevented by providing more economic development for all, which also explains the "obsessiveness of economic development by the Chinese government" (Rolland, 2017 pg. 132). Therefore, it can be argued that the Chinese government is seen as successful in the eyes of the *whole people* as long as they ensure the economic growth of the country and sufficient economic conditions for every citizen of the P.R.C. Moreover, the desire for China to extend its Going Out policy, which started in the 1990s, under its "upgraded version" with today's modern dynamics and attract more investment is also seen as a critical factor that has overlapping goals with BRI (Rolland, 2017; Ye, 2019; Yu, 2018, pg.225). The fact that BRI provides an alternative version of the Western model of economic development also highlights the domestic importance of BRI (Jiang, 2021).

Perhaps the most critical aspect of the BRI's domestic analysis lies in the use of SOEs in the implementation of the projects. Although it will be further analyzed in the following sections of this chapter, it is worth emphasizing here that local governments have also used BRI to save their *Zombie SOEs*. *Zombie SOEs* can be defined as those that the intense market competition will almost eliminate and those almost being sold to a bigger SOE or almost being directly shut down by the local government due to their insufficient efficiency. On the other hand, BRI opens the door to brand new project opportunities both within and outside of China and gives *Zombie SOEs* a second chance to prove themselves. Therefore, the competition between them is pretty intense and turns out to be politically affiliated in the end. BRI also allows SOEs to reflect their excess surplus abroad instead of creating a balloon within the country's internal market.

The last approach focuses more on China's energy security. In fact, when the existing situation is analyzed, it is seen that China's energy exports pass through critical points where American dominance is either seen or easy to be achieved by Americans. The Malacca Strait, accommodating China's almost 80% of energy and oil imports, or the Sunda and Lombok Straits can be given as examples (He, 2019). Covering not just railways and marine roads but also pipelines and oil lines, BRI, in that sense, provides a new infrastructural route from all over the world to China and therefore supports China's desire for its energy security (De Conti et. al, 2019; Rolland, 2017; He, 2019). In fact, the role of Central Asia stands out as hosting the most important BRI route and being the ridge between China and Russia. Kazakhstan, for instance, stands as the central country for the oil and gas transition, connecting China with its biggest gas exporter of Turkmenistan (Bitabarova, 2019).

Overall, the motives and meaning of BRI are as crucial as its understanding from an international perspective. While regime security and party dominance are both, the core motivations, economic development, enhancing Xi's personal leadership, and energy security, can be listed among the other internal factors to further support BRI in the domestic landscape. While this domestic approach will help the reader to understand SOEs' internal position in BRI, the following section will provide the international aspect of BRI to provide the attitude SOEs face abroad.

4.2.4. BRI from International Relations Perspective

Since Xi Jinping announced BRI, its possible effects on international politics have grabbed the most attention among scholars worldwide. In fact, although there has been no explicit agreement neither on the meaning of BRI for international politics nor on its potential effects on global diplomacy, four main aspects can be listed here to provide comprehensive coverage of academic discussions regarding BRI from international relations perspective.

The first and the most common arguments are shaped around the concept of the Marshall Plan and seeing BRI as the Chinese version of it. Many scholars agree at least on the two plans' compatibility. While Shen and Chan argue that today's global conditions of malfunctioning markets and disequilibrium of the global order create a similar situation seen before the Marshall Plan, it should be noted that BRI covers more objectives than Marshall Plan (2018). In fact, the Marshall Plan first had quite a particular target of communism, and it served as the helping hand of the US to Europe both with the hope of re-developing Europe after the destructive WW2 and hope of maintaining liberal hegemony to prevent the spread of communism among the European countries. Moreover, the conditions in which there was an urgent necessity for the US to intervene immediately to reestablish Europe cannot be seen in today's world. Although the malfunctioning and disequilibrium cause problems and signal a potential conflict in the future, there appears to be no urgent deadlock in the system to be solved by any plan. Despite the fact that many scholars claim that BRI targets the US hegemony of the global system, the implementation and official speeches do not target any specific actor. The Comparison of the Marshall Plan and BRI also leads scholars to focus more on the political and economic rivalry between China and the US. Scholars mostly agree that Thucydides Trap is seen as where two powers are headed to in the near future due to their intense rivalry (Li, 2020). The rivalry between US and China can also be observed via the perspective of power transition theory, first released by Organski decades ago. In fact, he is thought to have foreseen China's rise via internal economic development and its potential to challenge the hegemony of the US. His theory is based on two assumptions that (1) the development of a nation will first come from its internal improvements, as can be seen from the Chinese example, and (2) the international system is shaped by the hegemon, for today, the US (Kim & Gates, 2015). In fact, whether or not a change in hegemon will be peaceful or require war will depend on how satisfied the rising hegemon is with the status quo set by the former hegemon.

The second approach in the literature focuses on China's mercantilist endeavor. In fact, China's aid to underdeveloped countries in Africa raised some suspicions among scholars and led them to see BRI as a step to go further. In other words, scholars are searching for another motive of China to analyze its immense amount of financial aid to underdeveloped countries, and this motive is thought to be political (Çaşın & Kısacık, 2022). To support this argument, one can pay attention to Jones and Zeng's warning that the difference between conducting financially rational BRI projects and labelling these projects as geostrategic success when they turn out to be loss-making (2019). Despite these suspicious questions, it should also be noted that China fears being understood as a neo-colonial power (Ye, 2019). In fact, the third approach brings the discussion to Chinese exceptionalism, which emphasizes the difference between being a neo-colonial power and helping the underdeveloped to develop in a mutually respectful way.

Third, Chinese exceptionalism first refers to China providing a new and non-Western alternative way of development. In a more precise words, China, through BRI, provides a peaceful alternative to the world for US hegemony (Rolland, 2017). Focusing on Xi's words of harmony with difference, China is thought to offer another way for those tired of following the US. Therefore, scholars agree on the possibility that there can be more Chinese-looking countries at the world stage in the future but what makes this situation different is the fact that they will develop with Chinese exceptionalism with their own will (Jiang, 2021).

The last approach focuses on how China is going to do this. Taking Chinese periphery diplomacy of BRI as a way to achieve first regional and then global major role in the future, the importance of soft power is emphasized in this approach. In fact, with Callahan's perspective, this will bring a nuanced notion of globalization and China will achieve it, not dominate but to reach a common good as a moral duty (2016). The people-to-people connection via soft power elements like educational or

cultural programs will just serve as the cement infrastructure (Eisenman, 2018). The fact that China promotes its alternatives while it is still playing the game within the already established world order with Western led rules, on the other hand, points out what Benabdallah refers as China's dual performance (2019).

When the understanding of BRI from international perspective is analyzed, it can be argued that they are mostly influenced by the recent experiences and by the stereotypical expectations. Yet these approaches are actually describing the environment in which the Chinese SOEs will be seen and act when they go abroad.

4.3. Implementation of BRI and The Network Map

Covering at least 149 countries worldwide, implementing BRI requires a systematically working network of agencies, each filling a certain piece of the puzzle in implementation.

For the purpose of this thesis, BRI implementation will be divided into three phrases and each phrase will be analyzed with its own dynamics. It should be noted here that BRI is a massive project covering 149 countries, including China. As China is among the biggest countries by land, sufficient infrastructure within China is also required to be constructed to physically accommodate and link all those projects abroad with Chinese ones. In other words, in addition to many projects going on outside of China, SOEs and private companies are also working within China to build BRI-required infrastructure. For projects within China, SOEs report to SASAC, the project is subject to the power of the National Development and Reform Council (NDRC), and the financing comes from domestic banks (Ye, 2019). But as it is counted as a domestic project and as this thesis focuses on the political power of SOEs outside of China, the implementation process stated below is applicable to the BRI projects outside of China. Additionally, it is also applicable to only infrastructure-required

aspects of BRI. In other words, BRI covers people-to-people connections and therefore includes cultural and educational exchange programs or training activities abroad etc., but SOEs play the minimum role in these activities. But in order to demonstrate the politics of SOEs, infrastructure-required projects of BRI are chosen as they are the ones SOEs play the most influential role.

The first phase of BRI involvement starts when the government officials of China meet with participant countries' related official authorities to establish the legal background to take action regarding the BRI projects. Although full of vague and blurry sentences, the Memorandum of Understandings serves as the most crucial step allowing all the further detailed calculations to be possible. Seen as the primary agreements, they “develop the framework for BRI and lay a foundation for secondary agreements implementing BRI projects” (Wang, 2021, p.2). In this first phase, the major actors constitute mainly the official diplomats with their de jure titles. In fact, to negotiate, ratify and put the agreement into force, the National People’s Congress, the Central Committee of CCP, and the diplomatic missions of China abroad are the most crucial actors conducting this first phase. The important distinction of this phrase from the second and third phrases is that all these actors actually use their official CCP titles and carry a de jure status.

The second phase of the political and economic relations stage, on the other, presents the most crucial and intense steps to be analyzed for this thesis as it unlocks the role of the SOEs as well. In fact, all the projects that fell under BRI first have a parent company with an official private company status, and that plays a leading role in the project's construction and the decision makings regarding it. The fact that parent companies are always chosen from the 98 central SOEs under the direct rule of SASAC implies that their involvement carries an extension of the CCP to the project implementation under the CCP official's de facto status as the chairman of the chosen SOE. In other words, SASAC has de facto political power (1) as it decides which

central SOE will go abroad for that specific project and then (2) as it has direct ruling control over the chairman, board of directors, and board of supervisors, and over any decision of them. BRI project structures are shaped to cover as many Chinese-origin institutions as possible. Therefore, to ensure the optimum outcomes not just for the central government but also for the lower level of state agencies, local SOEs subsidize the central SOEs in given projects. This local-level involvement of SOEs in BRI projects is the exact one that has carried an internal political involvement among local actors and the one that SOEs have the higher political effect. The involvement of Chinese subsidiaries poses three areas, and each has unique rivaling agencies to be decided by the SOE itself.

The first competition occurs between states and municipalities. In fact, contrary to central SOEs ruled directly by the central government, many small and medium-sized state enterprises conduct their activities under the rule of local authorities and municipalities they are linked to. For instance, while China State Shipbuilding Corporation Limited and China State Construction Engineering Corporation are among the central SOEs and are ruled by SASAC, Guangdong Provincial Railway Construction Investment Group is ruled by the Guangdong Province and Shanghai International Port Group under Shanghai Municipality. Each new project a certain provincial-level SOE signed the contract of, therefore, means (1) a stronger political prestige of that municipality, (2) an advantageous financial position among other municipalities, and (3) direct political control over the project. Because of these outcomes, the first competition regarding project involvement of BRI, therefore, appears between the provinces and municipalities, each trying to send their own SOE abroad.

The second competition area occurs at the local level of subsidiary SOEs, and the rivalry among Zombie SOEs to get the project is worth noting. While the same objectives stated above exactly apply here as well, the local governments prefer to

save their Zombie SOEs first. But what if there is more than one Zombie SOE? The local committees of SASAC and local municipalities calculate the most productive outcome for them and decide which one to go global and therefore *be saved*.

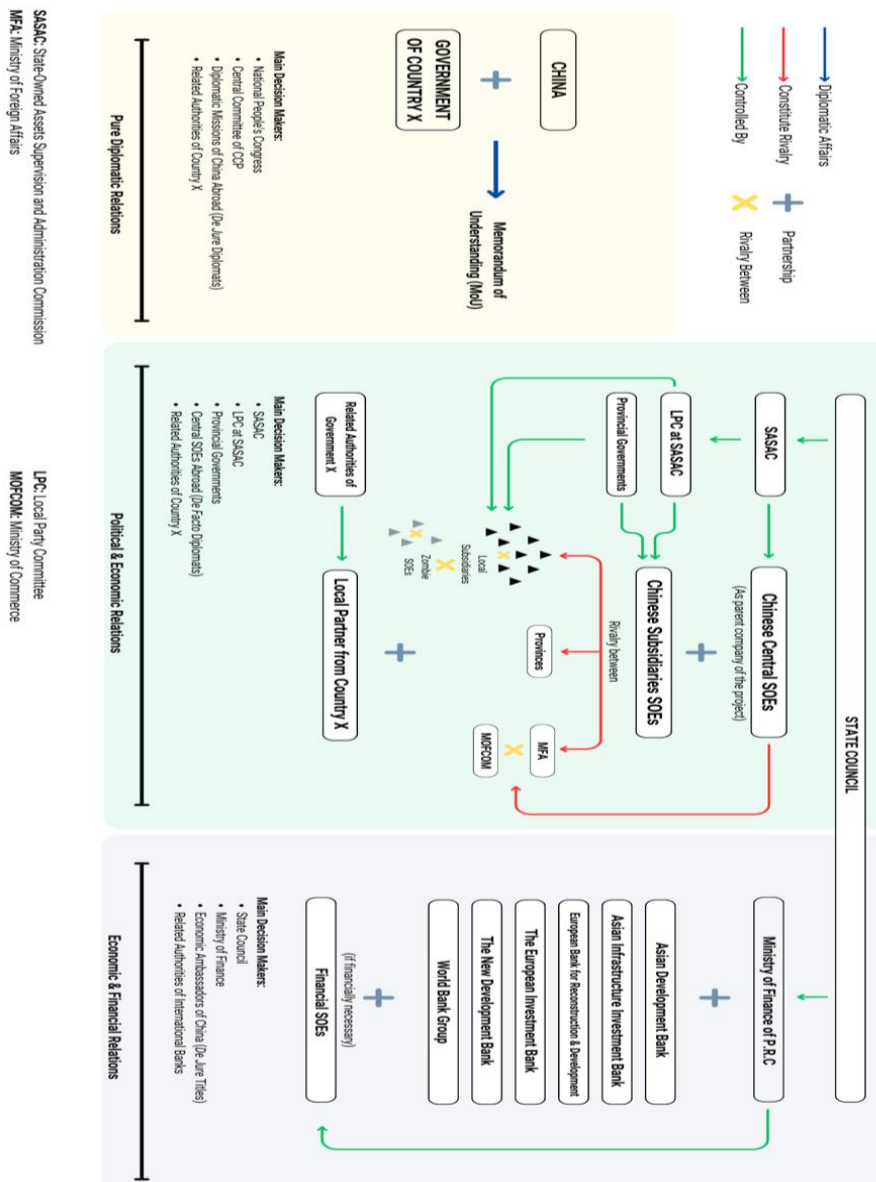


Figure 3: Implementation Flow and Actors in BRI Projects

Source: Designed by the author.

The third competition stands out from an interesting rivalry between same-level government agencies, between the Ministry of Foreign Affairs and the Ministry of Commerce. That is where SOEs have the most influential political power that can even be shown itself outside of the country, i.e., to decide which to prior. In fact, Ye argues that with MFA being in charge of coordinating foreign governments and MOFCOM controlling foreign economic treaties, cross-agency coordination is problematic (2019). However, this coordination problem is fulfilled by SOEs playing the role of the deciding agencies abroad. This decisive role, however, did not always bring positive outcomes to home and sometimes caused damaged bilateral relations of China with certain countries. In fact, the hydropower projects of BRI in Myanmar can be given as the most concrete example of how an SOE's own political power is strong enough to both improve and damage political bilateral relations with China. In fact, in recent years, Chinese SOEs' desire to build hydropower energy plants in Myanmar caused environmentalist protests in the country. Determined to fulfill MOFCOM's financial goals in the country, SOEs ignored the protests and caused bilateral diplomatic relations to be damaged in a way that only the involvement of MFA diplomats could solve the issue. As a result, the project was cancelled and Chinese SOEs investments in the country drop to 70.05 million USD from 1.05 billion USD (Nie, 2022, p.394). Within the eyes of the SOE, they were doing the right thing by following MOFCOM's guidance to pursue their investment abroad but by ignoring MFA's warnings, they started to constitute a political threat abroad. This example shows the unique opposite direction of how political SOEs are getting abroad and how the rivalry between MFA and MOFCOM appears in BRI projects.

After all the rivalries are concluded and exact agencies are chosen to shape the project, a local actor from country X is usually partnered with the government of country X. The third stage refers to the economic and financial relations of the projects. In fact, many projects are financed by Chinese-led banks such as Asian Development Bank or Asian Infrastructure Investment Bank. The domestic policy

banks of China, on the other hand, also support the lending processes of SOEs. In fact, China Eximbank and China Development Bank are among the most crucial policy banks for the implementation of BRI. Especially for the local subsidiaries of SOEs, the financial SOEs under the rule of the Ministry of Finance also appear as a financial source for lending.

4.4. Role of SOEs in BRI

4.4.1. Political vs Non-Political Role of SOEs

As discussed in previous sections, SOEs play crucial key roles for the implementation of BRI and their role constitutes a multidimensional aspect to analyze. Due to their unique nature, Chinese SOEs have come to a position different than any other SOE in other countries. In fact, as this thesis's main argument also argues, Chinese SOEs are evolved from being loss-making economic agencies into profit-making political agencies. The characteristic reform processes of Chinese SOEs to become profit-making organizations were already analyzed in detail in previous chapters. Yet, the politicization of them, primarily through BRI, is worth having a more profound analysis in this section.

Obviously, the politicization of SOEs does not mean that every action and role SOEs assigned constitutes a political background. In fact, when analyzed purely as private companies, they fulfill as equally important duties as a political agency in BRI flow even when they are not politicized. From a non-political approach, they constitute two important duties for the project flow.

First, being financial investors in any BRI projects does not necessitate any political decision on the SOE side and is therefore seen as a non-political action of SOE. It should not be forgotten that they are private companies in de jure status, and they are authorized to invest abroad. In fact, all the parenting BRI construction projects are

invested by Chinese SOEs. As shown in Table 1, Chinese Power Construction Group, for instance, is the investor of 22.3% of total construction investments of BRI all over the world whereas it is followed by Railway Engineering, whose investments make 10.3% of share in total investments. This financial investor role is in fact, among the most concrete proofs of how BRI unifies the government's political power with SOEs economic powers. Because they act as pure investors and therefore do not have any political alternatives to choose from, which have the potential to influence government decisions or agencies, the pure investor role is covered under the non-political category for this thesis.

Table 2: Parent Companies' % of Total Construction Investments in BRI Projects

	% of total
Power Construction Corp. (Power China)	22.3%
China Railway Engineering	10.3%
China Energy Engineering	9.8%
China Communications Construction	9.4%
State Construction Engineering	9.3%
China Railway Construction	8.5%
China Petroleum and Chemical (Sinopec)	6.5%
China National Chemical Engineering	5.0%
China National Petroleum Corp. (CNPC)	4.7%
China National Machinery Industry (Sinomach)	4.6%
China National Building Material	2.8%
Southern Power Grid	2.0%
China Petroleum and Chemical (Sinopec)	1.6%
Minmetals	1.6%
Sinosteel	1.6%

Source: Adopted from BRI Investment Report, Fudan University, 2023

Second, SOEs mainly involves in construction requiring infrastructure projects and when they are hired by the state only to provide their engineering and know-how skills, they constitute a technocratic role for BRI and thus not being political. SOEs' technical successes should not be ignored that they hire the most successful engineers in their field thanks to their luxurious employee advantages and the high prestige SOEs have in China and abroad. Therefore, even if SOEs would not have a

political affiliation with the state, they would still constitute an intense rivalry with private actors thanks to their high-profile technical staff. Therefore, SOEs can play their non-political role of being technocrats for BRI. In fact, central SOEs have joined more than 3,400 projects of BRI and provided their technical engineering services (Nie, 2022).

Although covered under the non-political category for this thesis, it should also be noted for further research that this second approach carries a significant potential to be used for political purposes in case of a diplomatic dispute. Most of the BRI projects are railways, roads, bridges, and ports, all of which are crucial not just for the infrastructure of BRI's unimpeded trade objectives but also for the host countries' internal security infrastructures. Therefore, these projects come to a point where they benefit both China and the host country. In case of any diplomatic dispute between these countries, however, the Chinese government has the authority to order the SOE to stop all the activities of that infrastructure. In fact, according to Chinese Company Law (公司法- gong si fa) Article 19, regardless of how private they are, any Chinese company has to cooperate with the CCP and provide the necessary conditions when asked (National People's Congress- b, 2023). This is not applicable to only SOEs but rather to all companies in general. Yet, what makes this article significant enough to mention here for SOEs is that SOEs are the ones providing crucial infrastructural know-how to BRI countries and therefore constitute the role of maintaining or cutting the service based on the order from China. Despite this role having the potential of being politicized, this thesis focuses on the already existing politicizations in the BRI flow and therefore categorizes this role under the non-political roles.

Before the BRI, economic technocrats and their think tank scholars had been more proactive in offering guidelines to surplus SOEs going global, although ineffective in

gaining cross-agency support. With the BRI, such agencies were less heeded, as the SOEs can now directly pursue their business abroad. (Ye, 2019, pg.707).

When it comes to the politicization of SOEs, effects are seen both in China's domestic market and projects abroad, and the existence of a political relationship between these two parties is mostly agreed upon by scholars. However, contrary to the existing studies, the politicization of SOEs should not be analyzed in a one-way direction of only the government having political power over SOEs due to their superiority. Rather, as this thesis argues, this political relation can be observed in two-way directions of both from government to SOE and also from SOE to government. The scenarios and the main functions of both differ at a considerable level. However, both have a clear influence on each other's outcomes. Therefore, the next sections will shed light on two ways each has political power over the other using the three models of interaction between SOEs and the government proposed by Nie.

4.4.2. Political Influence of the Government Over SOEs

The politicization from the government sides refers the situation in which the government sees SOEs as a political tool to reach or contribute to their own political agenda at home, abroad or both. In fact, seeing SOEs different than any other private company and allowing them to have a government favoritism make this possible. Nie's first model of Government + SOEs flow provides a strong basis for the deeper discussion of this aspect.

In the government + SOE model, the government plays the most political role over the SOE and becomes the main decision-maker for all the stages in the flow. In other words, the government first decides on which country a specific project will be conducted, what type of infrastructure will be built, and whether or not Chinese

SOEs will get loans from international organizations or Financial SOEs under the rule of the Ministry of Finance. In this model, the government departments, especially MOFCOM and NDRC directly involve in all the official steps of the project from negotiations to signing contracts.

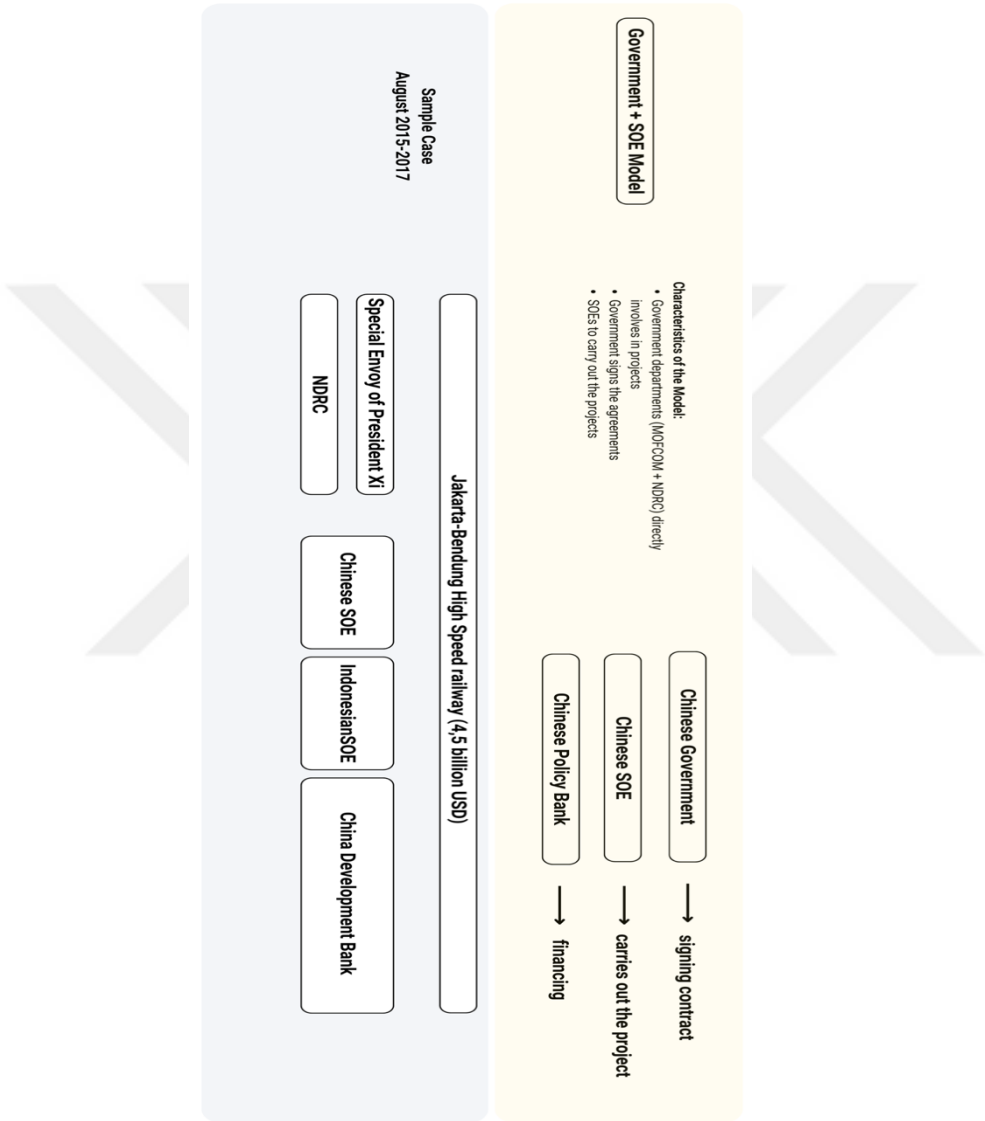


Figure 4:Government + SOE Model Flow

Source: Adopted from Nie’s models and sample cases (2022), designed by the author.

The SOEs are given only the role of carrying out the projects on a technical basis on behalf of the Chinese government. Because of the direct high-level involvement of the Chinese government departments, the financing of the projects is usually directly

provided through Chinese Policy Banks, which are also strategic agents for BRI implementation but are out of the focus for this thesis. In fact, the top two essential policy banks for BRI stand out as China Exim Bank and China Development Bank. China Development Bank also financed the Jakarta-Bandung High-Speed Railway and the project stands out as the most concrete example of this model, especially due to the high-level involvement of President Xi's Special Envoy. Starting from August 2015, the project was discussed and decided together with Indonesian government officials and when the flow's agents and content has been decided, the project was launched directly by the Chinese government. The initial decisions resulted in the Chinese SOE cooperating with an Indonesian SOE to build the railway.

As seen from the Jakarta-Bandung railway project, this model of government playing the pioneering role and Chinese SOE carrying out turns Chinese SOEs into a political tool in the hands of the government to be used abroad. In fact, Nie also argues that this model shows SOEs purely as foreign policy instruments (2022). To further support her argument and show how the politicization of SOEs is used as a tool for the government, four main features of the flow can be analyzed.

First, the government's pioneering role to decide and sign the contracts implies that contrary to other models, SOEs do not have any voice to choose where they will operate. Especially considering the solid Party-related groups' existence in both SOEs and SASAC during decision-making processes, it is still the party deciding on behalf of the SOE and using an SOE's *de jure* private status to have an operation abroad. In other words, SOEs are presented as private actors to show the existence of the Chinese government abroad.

Second, the government uses SOEs as private actors or as *de facto* ambassadors as they will be more easily integrated into the domestic bureaucracy of the host country with their civil identity. The Party's utmost priority gives them a unique authority to

be involved in every part of the Chinese economy, politics, and society. Yet, SOEs, as non-CCP de facto diplomats, are seen as the real private civil identity to be actually involved in the bureaucracy and networking flow of that specific project. In fact, McConnell and Woon refer to the importance and function of SOEs' non-CCP identity as “the tension between centralized state-led diplomacy and the ability of particular non-CCP actors to bypass the state to engage in their own diplomacy” (2023, p.612). The decentralization of foreign affairs of China abroad and the representative role assigned to SOEs, in that sense, enhances the transprofessionalization of diplomacy and allows SOEs to play a significant bureaucratic and political role on behalf of the actual state.

Third, although the economic aspect should not be ignored as it's the foundational basis of the party primacy structure in China, the SOEs can also be given social and political duties in this model. In other words, even if the government knows that a specific SOE will not get any economic benefit or profit, and even if it would lose a considerable amount of financial resources, it still can continue to follow this model and send that SOE abroad just to make that SOE fulfill its social responsibility of SOEs. As was discussed in the previous chapter of this thesis, SOEs in China are socially responsible first to be a national pride and then to help the government to maintain sufficient employment for the citizens. But when SOEs go abroad with BRI, they then continue to have social responsibility but to enhance bilateral relations between China and the host country this time. In fact, in March 2023, Honduras cut all its diplomatic relations with Taiwan and officially recognized the People's Republic of China by setting up diplomatic relations between the two countries. In July 2023, the Chinese Vice Minister of Commerce made an official visit to Honduras and stated that Chinese officials are considering investing approximately 20 billion USD in rail line projects in the country. “We presented with the projects that Honduras is interested in getting financed, that are vital for the development of our country”, said the vice Minister of Economic Development of

Honduras, reflecting how the Chinese government uses projects that are easily integrated into BRI by using financing of Chinese Banks and construction of SOEs (Reuters, 2023). In fact, the main purpose of this Government + SOE model is “to serve China’s diplomatic and political needs” (Nie, 2022, p.392). Moreover, the contracts usually require companies to use Chinese materials and services for the project building.

Fourth, appearing as the owner of the project, SOEs are indirectly allowing states to have assets in foreign countries. Moreover, these assets are not similar to the financial ones like gold, or different currencies like many countries around the world prefer to do. Rather, these assets are actually working every day both to enhance China’s international trade, such as ports or railways, and in a position to have a financial value as well. In fact, most of the BRI projects are constructed by using vast amounts of loans from Chinese or Chinese-led Banks. In parallel, most of the financing contracts of BRI projects are supposed to ensure that in case of any problem with the return of that loan from the host country actors, the SOEs or the Chinese Banks have the legal right to own the asset directly. This gives the Chinese government a considerable advantage both financially and politically.

When analyzed overall, it is clear that SOEs are politicized tools in the hand of the governments and constitutes an extension of the government when they operate abroad in BRI projects. In fact, the Government + SOE model gives the most influential political power to the state as it has the leading role in the flow and SOEs are assigned their duties directly. The fact that they still involve in financially damaging projects for non-financial benefits of the government, i.e., political, diplomatic or social, also proves the political role of SOEs under the direct political control of the government.

However, this politization of SOEs also creates a backlash and puts SOEs in a position of making crucial political decisions in the long run. In other words, just as government sees SOEs political tools and have a political pressure over them, the SOEs also start to have a political power that may influence the government decisions. The uniqueness of the Chinese reforms to transform SOEs from loss making economic agencies into profit-making political agencies can be seen as the main reason of this two-way directional power relation. This situation requires us to flip the coin and analyze the other side of the same coin in the following section.

4.4.3. Political Influence of SOEs Over the Government

The existing literature provides a solid basis to analyze the political governance of the party over SOEs. Yet, it lacks the understanding of SOEs' own political powers. By using Nie's other two models, independent SOE and SOE + Government, this section will try to shed light on the potential political influence SOEs might have over the government through the implementation of BRI. Before answering the question of when SOEs become political, it should be noted that the concept of political influence from the government over SOEs should not be mixed up with the government's regular influence on decision-making and supervisory role through SASAC. Instead, the political influence from the government refers to a situation where the government specifically sees an SOE as a tool to achieve its political goals abroad. It should also be emphasized that not all SOEs going abroad are politicized all the time.

The political influence from SOEs over the government refers to the situation in which SOEs have alternatives, each representing different political outcomes, and has the authority to legally follow one of them. In other words, it is not the same as the situation where government orders and SOEs follow, but rather a situation SOEs have political benefit calculations at various levels and reach the same government-

ordered outcome from different paths with different political priorities. To analyze such a power, Nie’s two models will be used as the base of the implementation flow whereas the actual political powers arising from these flows will further reveal the practical political influence SOEs might have over the government.

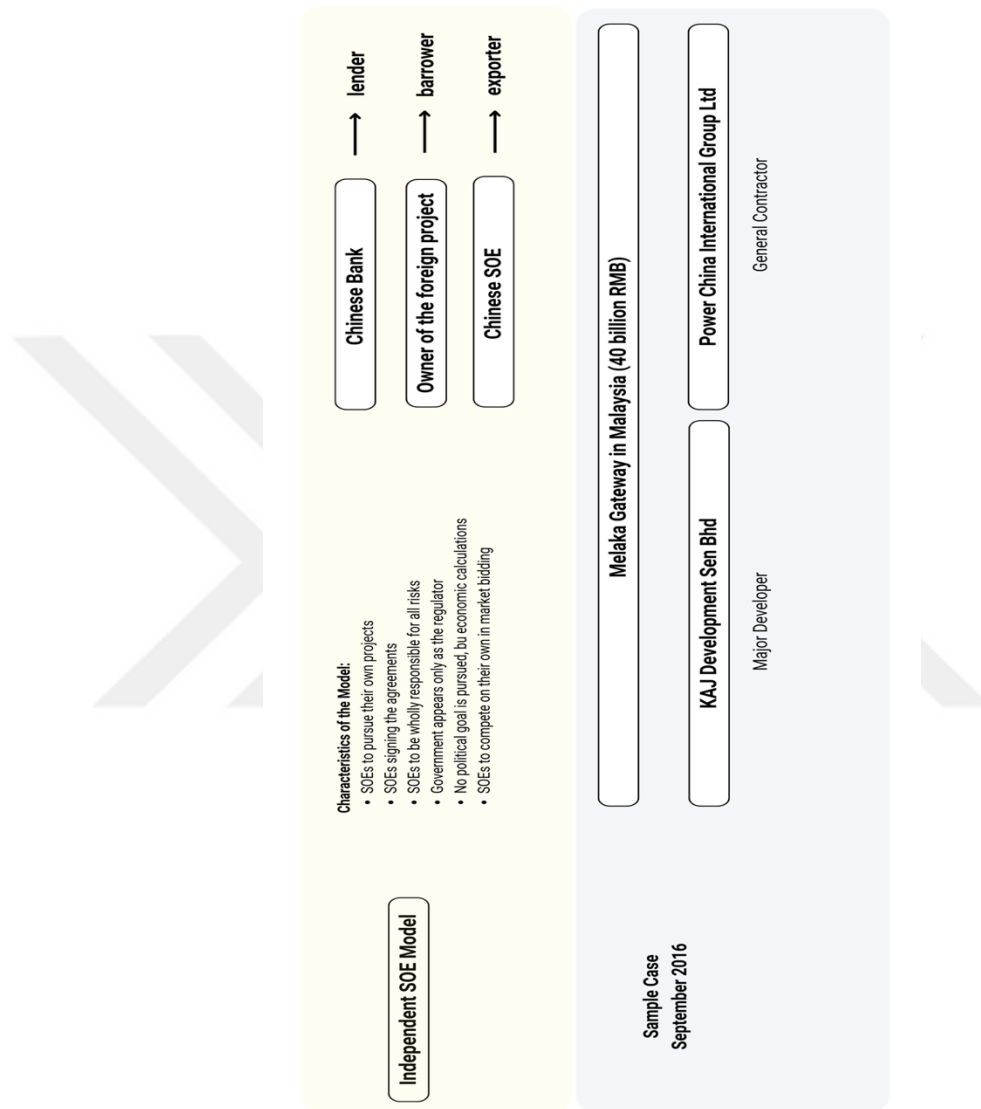


Figure 5: Independent SOE Model Flow

Source: Adopted from Nie’s models and sample cases (2022), designed by the author.

The Independent SOE model of BRI project flow can be said to be the most important model for an SOE to have maximum independent political power over the government. In fact, despite the government favoritism assigned to them, they act

almost independently from the government. This model is also among the most frequent ones among the contracting activities of SOEs abroad. Under the model, SOEs pursue the projects on their own and research through their own channels. They conduct their own feasibility reports, calculate all the risks and follow all the required bureaucracies in the host country on their own. Therefore, they are wholly responsible for any loss or risk both in terms of financial outcomes and also for any possible political, social, or economic outcome. The role of government stays at a minimum level for this model, and it plays the role of a regulator for the SOE. It should be noted here that when government turns out to be the regulator only, it does not cover the political supervisory pressures over the SOE through their CCP-oriented managerial profiles. The reason for that situation lies in the assumption of this thesis that despite their strict connection with the CCP, CCP managers in SOEs are still part of the SOE. In other words, they act in the framework of the CCP but within the SOE, and therefore, as long as the end result fits with the CCP's, they also think about the outcomes for the SOE itself as well. They choose the most suitable path among different paths, all ending at the same point for the CCP side. This aspect of *interpreting the central government's principles* will be further analyzed in the coming sections, but it is crucial here to note that based on Nie's model, the government plays only the regulatory role for the SOE.

If an SOE successfully fulfills all the bureaucratic requirements and wins the bidding of the host country, then they would play the role of an exporter of the project and carries out the rest. A Chinese Bank, on the other hand, finances the project by giving loans to the foreign owner of the project under the status of the borrower. The Melaka Gateway in Malaysia can be given as an example of this model. Agreed on September 2016, the project is worth almost 40 billion RMB. Although at the beginning the project was tried to be conducted by a different company in Malaysia, the lack of effective performance leads the owner of the project to open a new bid, which the Power China International Group Ltd won.

Before analyzing the political power held by the SOEs against the government, Nie's third model of SOE + Government can also be overlooked as it also constitutes a political power relation between the two in a two-directional way. Contrary to the independent model, SOEs constitute less political power in this model. The main reason for this situation lies in the fact that at the end of the SOEs' independent project negotiations, government becomes the one supporting and financing the project. Therefore, no matter how independent the path was for the SOE to negotiate and have a deal, in order to finance their project, they need government approval. To put it in sequential order, SOEs first find projects and bid in host countries' own bureaucracies. When they win the bid and chosen as the carrier of the project, they consult to the government to get financial support. One crucial detail here is the fact that under SOE + Government model, the SOEs have the political agenda background of "going out strategy" in their mind. Therefore, this model is mostly suitable for the project that government would be clearly interested in because otherwise, government would not allow any project that is against its superior strategies of them to be financed by government resources, i.e., by policy banks. By SOE's leading the process with government support, they ensure the suitability of the project into government's going out objectives and maintain their political power at the same time. In other words, SOEs are protecting their own political power and ensuring financial support of the government by following the government plans in one project simultaneously under this model.

Laos Xekong Coal Electricity Integration project launched in March 2016, is considered to be under this model due to its structure. While the foreign project developer is Laos EDL Generation Company, China Eximbank finances the 2,1 billion RMB worth project and China National Heavy Mac. Co. plays the role of a contractor and the carrier of it.

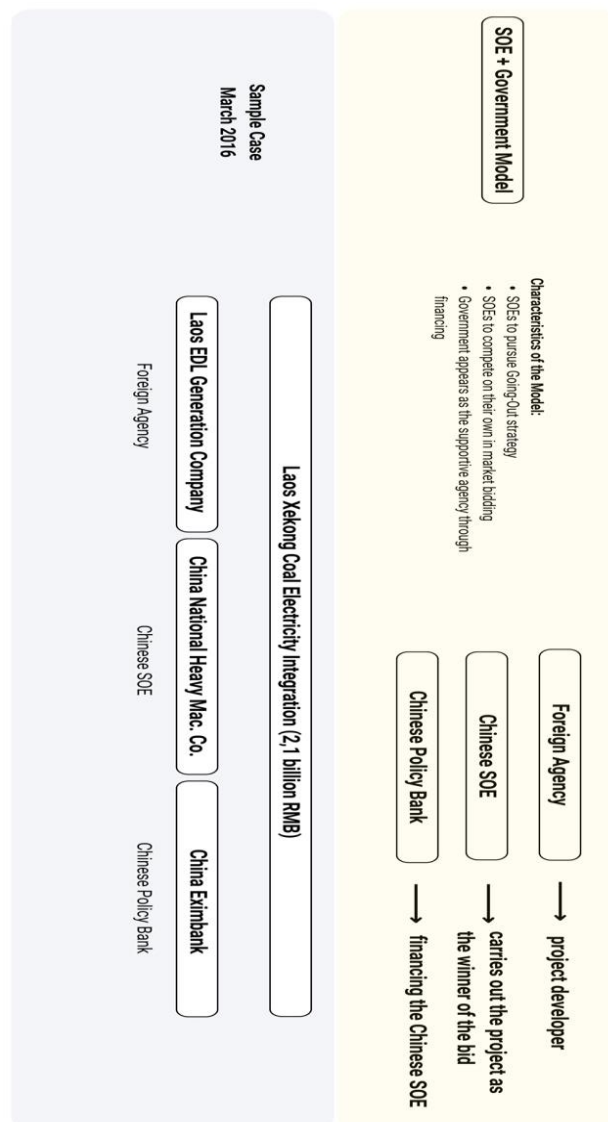


Figure 6: SOE + Government Model Flow

Source: Adopted from Nie's models and sample cases (2022), designed by the author.

The importance of Laos for China to ensure its access to South, and the potential energy sector offers to the Chinese SOEs in the market both cause the project to be overlap with the central governments objectives of Going Out.

As can be analyzed, in both independent SOE model and SOE + Government model, SOEs do not follow the orders of the government or being influenced by the regular supervisory of the party through SASAC, but rather has their own economic and

political power in the implementation flow. These two kinds of power of SOEs have the potential to strengthen or weaken certain actor's agendas at different levels in the bureaucracy. In fact, the relationship between government and SOEs positioned in a highly complex structure with both vertical and horizontal mechanisms. As it was discussed in the first chapter of this thesis, the political structure of China is designed to ensure the party primacy, party integrity with state and economic development and therefore has a complex set of relations. Despite the structures main objective of party primacy and concentration of power in the hands of the party, with the involvement of BRI into the picture, the structure allowed SOEs to have their own political powers. To analyze what kinds of power are gathered by the SOEs and how they were gathered, the implementation process of independent SOE and SOE + Government model can be used.

The first and the most important political power SOEs hold in these two models is the *ability to interpret the orders* of the party. This, in fact, gives a maneuvering space for the SOEs in BRI implementation. This maneuvering space mostly comes from the blurry and uncertain language used in BRI contracts and the party's official documents related to SOEs' activities. In many cases, the concrete orders given to state departments with their internal communication cannot be seen for SOEs. Moreover, for the concrete outcomes asked from the SOEs, the government declares only the desired outcome but not the method to achieve it. This gap in communication allows SOEs to interpret the orders of the party as they *understand, seek or desire*. From the BRI perspective, this creates a situation in which SOEs have considerable flexibility in deciding whether and how to implement BRI (Ye, 2020). In other words, Chinese leaders steer SOE activities with broad targets, and this gives SOE leaders an opportunity to present their behavior as in line with the broad target or, as Jones and Zou refer, by “at least not directly defying them” (2017, p.749). As the following detail will point out, this interpretation creates an environment for the SOE to consider non-economic political outcomes for themselves while choosing the

path to follow to reach the desired outcome of the party. This is, in fact, the exact point SOEs politicize themselves. This, however, should not be understood as if the state lacks control of the initiative. Instead, it controls it in such a manner that allows enormous interpretation.

Table 3: BRI Messages By Category and Agency

	Individuals and Agencies	No. of Statements	Focus of Content
Political Total: 69	Xi Jinping	39	Vision and principles
			External promotion
			External implementation
	Li Keqiang	9	General praise
			Existing reform goals
	Zhang Gaoli	14	Internal regional development
			Mobilization in localities
	Others	7	Sector specific support
Technocratic Total: 66	NDRC	18	Work meeting scheduling
			Project planning
			General statements
	MFA	16	General statements
			Progress reporting
	MOFCOM	14	General statements
			Statistical reporting
	Others	18	Agency coordination

Source: Ye, 2019.

Second, although there is always a complete picture to look at when analyzing Chinese politics, the rivalry between government departments is said to be as intense as those in multiparty countries. At the end of the day, they have to be pieces of the same puzzle and come together to show the bigger puzzle of party primacy and economic development. This, however, does not mean that their interests are not conflicting either in content or in priority level. For certain agencies with flexibility, this rivalry between departments shows up at crucial points. Thanks to their unique structure, Chinese SOEs are of crucial importance to analyze this rivalry between

departments. As BRI constitutes China's strategic foreign policy extension of going out with spatial objectives, the role of MFA and MOFCOM stands out as the most influential and pioneer ones, and so does their rivalry between. In fact, from the technocratic side, MFA usually presents general statements and progress reporting of BRI and constitutes 16 speeches regarding BRI from official resources whereas MOFCOM focuses on statistical reporting and provides 14 speeches to analyze (Ye, 2019).

MOFCOM's internationalization constitutes conflicts with MFA personnel abroad because MFA focuses on "maintaining cordial interstate relations" whereas MOFCOM's main priority is to promote Chinese business interests and therefore "disregarding the political or diplomatic consequences" (Jones & Zou, 2017, p.748). Jones & Zou gives an example from 2011, even before the BRI was launched, to show how powerless MFA is to control SOEs abroad. The 200 million USD worth of weaponry was sold by the Chinese state-owned arms companies to Libya, which was against Article 13 of the UN Resolution 1973, also supported by China officially (Jones & Zou, 2017; UN Resolution 1973, 2011). In such cases, MFA is active only when there is a blowback, which gives MOFCOM an immense opportunity to influence SOEs abroad. With the launch of BRI, this rivalry between MOFCOM and MFA gained momentum in different fields, and SOEs importance for them gradually increased. In fact, the SOEs' history carries several examples that clearly reflect this rivalry and the SOEs' own decisions to choose which one to pursue. As it was briefly mentioned in Chapter 2 of this thesis, The scandal of the hydropower energy plant planned to be constructed in Myanmar was due to the SOEs decision to ignore MFA principles and pursue purely the financial objectives issued by MOFCOM. However, from the SOE perspective, the differentiation between MOFCOM and MFA should be explained more clearly at this point in order to analyze why this thesis argues that this decision of SOE is political rather than economic. From the beginning, this thesis takes non-economic preferences as political. In other words, Myanmar's example

constitutes a political decision because it was not the objective to follow MOFCOM to profit more from the project. It would be considered economic-oriented if that would be the case. Instead, the SOE chooses between the non-economic interest of either MFA or MOFCOM. They made the decision based on the political interest they would get by prioritizing MOFCOM's interests over that of MFA's. That is why their decision is considered political. In fact, by choosing MOFCOM in the Myanmar case, they chose the outcome they would get in the eyes of MOFCOM and underestimated MFA's principle of not damaging bilateral relations. The result was then the cancellation of the project, followed by the reconciliation efforts of MFA diplomats to recover bilateral relations between the two countries. Despite the existence of Social and Environmental Impact Assessments (EIAs) form required by MOFCOM for any SOE performing overseas, the approval power of it is still in the hands of MOFCOM; therefore, the high sensitivity of MFA to consider the potential impact on foreign relations cannot be expected to be performed by MOFCOM (MOFCOM, 2009). The example of Chinese SOEs performing in the Philippines and Vietnam between the diplomatically sour periods of 2009 to 2016, on the other hand, provides a contrary example of how SOEs can also continue their activities abroad even if Chinese bilateral relations with certain countries are not good enough for MFA to limit the interactions, but MOFCOM to pursue its own trade goals.

The rivalry between MOFCOM and MFA appears mostly in the independent SOE model as they handle all the bureaucracies of the host country with their own resources and without the help of MFA officials in the country. The same model also allows central SOEs to become politicized while choosing subsidiary SOEs to cooperate for projects abroad. Therefore, in addition to SOEs having the political power to choose either MFA's or MOFCOM's objectives, they also constitute a political power to choose which provincial government's SOE will work with them and which province's interest to prioritize.

Third, the lack of an official map of BRI creates a huge gap in the implementation flow, which was filled by SOEs based on their political interests. In other words, just as the central government provides only the desired outcome but not the rest, BRI only draws a comprehensive geographical framework for SOEs to project the rest based on their own criteria. The main idea of BRI is to connect Asia, Europe, Africa, and Latin America, and the MoUs have been signed with the countries in these regions. However, under independent SOE and SOE + Government models, SOEs have considerable opportunity to turn a particular project into a BRI project. Especially thanks to their technocratic authority and skills, they can easily include any project under the name of BRI and enjoy both the political and financial benefits by doing so. In fact, to give a more concrete demonstration, Türkiye plays the role of a middle corridor in BRI and connects Asia with Europe. The *steel camel*, i.e., the railway from China, passing through Türkiye, reaching Europe to illustrate the old silk road, comprised of different railways each connected to each other. Starting from China's Xi'an, it enters Türkiye from Kars, passes Edirne, and reaches all the way through Istanbul to continue its journey to Europe. For the central government of China, the desired outcome of the middle corridor is to build a railway from Xi'an to first Istanbul and then to Europe. Therefore, the details like from which Turkish cities the railway should pass through, do not grab their attention. For SOEs, on the other hand, deciding these technocratic decisions provides alternatives to choose among based on their optimum political outcome. The local political actors to be negotiated, the potential overlap with the MOFCOM targets and the financial cost of the project are all among the different criteria SOEs consider deciding the exact route. Therefore, it is clear that they consider not just the actual technocratic matters but also the political dynamics for their own benefit. In fact, this is why SOE managers are trying to find the most tolerant municipality when they design a new project in Türkiye, especially in the infrastructure and energy sector. Overall, the SOEs also shapes the BRI map based on their calculations of political outcomes and have the ability to include certain projects into the BRI flow to get government

support as well as to influence the government in terms of the direction BRI policies head to.

The classical principle-agent problem in the literature can demonstrate the fourth and last power SOEs hold in their hand. Although the Chinese government had a strict and highly complex structure of supervision bureaucracy within China, a very limited section of it can be reflected in the bureaucratic processes of Chinese actors abroad. Because they have the power of interpreting the central orders, they set up the bureaucratic path based on their maximum outcome in independent and SOE + Government models. In fact, in these two models, they are the ones contacting the foreign bureaucratic organs and, therefore, the controller of the whole network set up abroad on behalf of the government. Although MFA and MOFCOM's diplomatic personnel abroad are trying to be active in this process, the rivalry between them usually creates coordination problems and makes SOEs the actual controller of the process. Therefore, under the independent and SOE + Government models, bureaucratic control turns out to be a de facto political power in the hands of the SOE to be used against the central government if necessary. Because of SOEs detailed involvement in the local bureaucracy and because SOEs play the bridge between the government and the local actors, the central government has no practical choice but to trust its SOE. This situation also creates a path for the SOE to shape government's specific attitude or policy regarding the BRI-related decisions potentially affect them.

4.4.4. SOEs and Government As Each Other's Tools

Nie's three relations models provide a solid basis for further research and for drawing the line of a typical understanding. Yet, it lacks the understanding of SOE's own political thoughts and objectives. In fact, her approach deepens the analysis only to the one-way direction of political influence, i.e., from the government to the

SOEs. However, this thesis sheds light on the two-way directional political relation between each other.

There has been an explicit agreement among scholars that SOEs are turned out to be foreign policy instruments for the Chinese government thanks to the decentralization and transprofessionalization of the Chinese diplomacy especially in post-BRI era. The question of if SOEs are foreign policy instruments, on the other hand, depends on the implementation model followed in BRI. While Nie argues that in the Government + SOE model, the interests and the priorities are all decided by the government and agreed by the SOE. Therefore, the model clearly possess SOEs as foreign policy instruments abroad. Moreover, this thesis argued that for the Government + SOE model, the government has a strong political influence over the SOE. In contrast, the SOE cannot have a strong voice to influence the government.

On the other hand, the independent SOE and SOE + Government models are where SOEs were argued to have a strong political power. These two models are also the models to show the two-side influence, and where this thesis argues that SOEs also have a political power to influence the government. In that sense, although Nie argued that in SOE + Government model, the priority is given to SOEs' economic interests, due to the practical potential raised from the model's implementation, SOEs consider both economic and political outcomes while making a decision.

The SOE + Government model also provides a scenario where government has no superior political influence over SOEs but SOEs having political influence over the government. In fact, because of this, Nie also argues that SOEs are *weak* tools in the hands of the government under this model. Lastly, the independent SOE model provides the most political SOE profile. Although the interests of the SOE and the government are in line with each other, SOEs cannot be seen as a policy tool for the

government. Instead, they possess their own political influence over the government when they operate abroad for BRI.

Table 4: Comparison of Three Models of Government-SOE Relations in BRI

Table 3: Comparison of Three Models of Government-SOE Relations in BRI

	Fitness of Interests	Priority of Interests	Are SOEs Instrument of State's Foreign Policy?	Is There a Political Influence from Government over SOEs?	Is There a Political Influence from SOEs over the Government?
Government+SOE Model	They are in the same direction and tandem	The state's political and diplomatic interests take priority	Yes	Yes	No
SOE + Government Model	They are in the same direction but not in tandem	SOEs economic interests take priority	A weak yes	No	Yes
		SOEs political interests Takes Priority			
Independent SOE Model	They are on parallel tracks	SOEs economic interest takes priority	No	No	Yes

Source: Adopted from Nie (2022), *emphasis mine*

This chapter provided a comprehensive understanding of Chinese economic diplomacy. It stated that with the involvement of BRI in the picture, developmentalism with Chinese characteristics enters into a new phase with the focus shifting to outward performance. This outward performance is also conducted

through SOEs as de facto ambassadors abroad. In fact, the implementation flow provided by Nie's models explains what specific roles are assigned to SOEs with what authority. In fact, the clear-cut distinction between financial and non-financial SOEs explained in previous chapters also stands out as a crucial mechanism to ensure the government has control over the SOE projects in SOE + Government model as well. However, it has been noticed that these models lack the understanding of SOEs' own political powers over the government. Therefore, by differentiating the political and non-political roles and by analyzing the practical steps in the flow one by one, it has been concluded that SOEs also started to constitute political power. In fact, the independent SOE model provided the most political SOE profile for this scenario. The rivalry between different state departments and SOEs prioritization between them provided a clear example of how this power is reflected in real life during the implementation. Lastly, this chapter also provided real-life examples of how the SOEs' political power might either strengthen or damage the bilateral relations of China with other countries and demonstrate the two-way direction of political power by proving the existence of the political power of SOEs over the government.

CHAPTER 5

CONCLUSION

This thesis aimed to analyze the politicization of Chinese SOEs in the BRI implementation process and argued that there is, in fact, a two-directional way of politicization of SOEs. However, to show how unique the Chinese case is to analyze SOEs' politicization, this thesis first covered the concept of party primacy of CCP, which draws all the frameworks SOEs are performing in. It was understood that Chinese politics is shaped around the most crucial objective of the CCP, i.e., the regime security. The discussion of regime security led the analysis toward the importance of economic growth to maintain the socialist regime and the consent of the masses. Putting economic growth at the core of their political agenda, CCP integrates the party within the state and makes CCP an inseparable part of the state. Therefore, the involvement of the party in every decision of the business sector is seen as a natural outcome of the system. The party-state, in that sense, provides a significant degree of political autonomy to CCP and the power to integrate economic resources into its own structure. The obsessiveness of the Chinese government of economic growth pointed out the crucial element of the Chinese perspective; developmentalism. To create a harmonious society through welfare, they ensured developmentalism would serve effectively to the Chinese society. Yet, noticing the differences between the classical understanding of developmentalism and its variation in China required a more profound analysis to be included in this thesis. In fact, it was seen that while the West developed the concept, especially after WW2, and applied it through empowering the technostucture at first, the collapse of the

Soviet Union and the Bretton Woods caused developmentalism to be wiped away from the markets gradually. Therefore, privatization was seen as the main locomotive of economic growth for Western countries. The understanding of developmentalism has been limited to the experiences of the West. As following liberal democratic principles within the Keynesian scheme, state played the role of regulator, producer and investor. The necessity to restructure the bureaucratic order to allow the state to intervene in the market and the principle of merit-based assignments of bureaucrats are seen among other characteristics of the classical understanding. Yet, for China, developmentalism refers to a different transition period in which the ideologies of priorities were fighting with each other. While the Mao era focused on the ideology of revolution and increasing production efficiency in the country, Deng Xiaoping downgraded the hot topic of ideologies and followed the ideology of reforms. His principle of not focusing on the fight between capitalism and socialism allowed China to set up economic liberalization and authoritarian politics simultaneously, which was later understood to have a considerable effect on SOEs' decision-making processes. Throughout China's development, SOEs were seen to be the crucial key agencies to either support or weaken China's political goals. Being one of the most crucial elements of developmentalism with Chinese characteristics, SOEs broader discussion was provided to offer a background to analyze Chinese SOE's uniqueness. In fact, when the concept of SOEs were analyzed, there could be no agreed definition of them among scholars although many use the state ownership and control as the core focus of their definition. This thesis took SOEs as any entity with direct or indirect legal shareholder ties with the government that has private company status before the law, conducting economic activities of goods and services. The existent literature of SOEs role implied that in developed countries they mostly used to overcome economic stagnations and accelerate high capital required sectors. In contrast, in developing countries they served for government's regional development plans and to create new sectors where private sectors lack either capital or know-how. With the approach towards SOEs arguing that the more SOEs are turning into

political tools and politicized the less effective they will be strengthening, SOEs started not to be seen as effective way for developmentalism. In fact, the example of Türkiye was provided in detail to show every step many countries have passed through. Analyzing the stereotypical transition from SOE-oriented to privatization-oriented policies in many countries, it was noted that Chinese experience stands out in quite a different way. Contrary to other countries' and World Bank's obsession of improving the private sector and of limiting the interactions between the governments and SOEs, China could both improve SOEs financially and strengthen its political control over SOEs. While other countries gradually decreased the number of SOEs, China gradually increased it. In fact, in 2021, the total number of SOEs was more than 150,000 (CGTN, 2021). Although they started at similar positions, the uniqueness of the Chinese views to SOEs provided an unexplored experience to analyze. Therefore, the second chapter of the thesis was dedicated to exploring how China transformed its loss-making economic agents into profit-making political agents.

The analysis of characteristics of Chinese SOEs pointed out that whether to prove China is a socialist state, to be a backup plan for the government to be used in financially tricky conditions, to enhance 7 key industries or to create a welfare society for its workers, Chinese SOEs have never lost their importance. The transition periods of enterprization ensured economic efficiency of SOEs whereas the following period of corporatization allowed China to balance Chinese way of ruling a company with the Western way by integrating Western corporate structures into their SOEs. While *zhua da fang xiao* policy of keeping the big and letting go of the small allowed them to eliminate financially loss-making SOEs, the establishment of SASAC in 2003 in the third phase of concentration allowed CCP to strengthen their political power and supervision over the SOE in a more concentrated way. In fact, the concentration of power into SASAC allowed China to solve the coordination problem and ensure the ground for SOEs to be the de facto ambassadors abroad in

the future. In fact, when the relation between SASAC and SOEs was analyzed, it was seen that it goes well beyond just an ownership status. A certain degree of political control between them appears as the hint in the discussion. Yet, the existing literature mainly focuses on either the negative approach of taking SOEs purely independent or on the positive approach of taking SOEs only as political tools. However, the complexity of their relationships required more of a balanced approach to be taken in this thesis. Nie's three explanations of three models as instrumental approach, cooperation approach and weak connection approach provided the current possibilities of this relation to be used for the analysis of this thesis. The mechanisms of state-ownership, cadre management system, ex-ante and intra-party supervision were all among the factors deciding on the strength of the relationship between the government through SASAC and the SOE. With the involvement of LPCs and LDICs, the party control over the SOEs further shows itself in supervision and decision-making processes of the SOE. The type of SOEs, as of either central or local, also stand out as a significant detail for the primary analysis of the next chapter regarding the implementation of BRI through SOEs.

The discussions of the first two chapters clearly showed the unique development within China. Yet, as one of the major powers at today's global stage, China has a potential to reflect this to the outside world through its economic diplomacy and its magnificent initiative of the Belt and Road. *Feeling every stone while crossing the river*, China has proven itself to be strong enough to go global to create a global China and the Xi era just materialize it through BRI. While the involvement of non-state actors leads scholars to define this process as the decentralization of diplomacy, non-CCP diplomats started to shape the de facto diplomacy of China abroad. But to analyze how de facto diplomats play their role in BRI, the nature of BRI was analyzed. Although there has been no official definition and a common framework among scholars regarding BRI, the policy coordination, financial integration and people-to-people bond led us to see BRI as something more than a trade route.

Seeing BRI as a combination of Chinese periphery diplomacy with hard structure of spatial objectives, BRI has been taken as a new extension of Going Out policy and a comprehensive foreign policy with spatial matter. From the domestic perspective, BRI provides a framework for Xi's idea of China Dream, an opportunity to prove his successful personal leadership with a signature project, a new method to contribute to the economic development and an alternative to ensure energy security of China. The international perspective, on the other hand, shapes mainly around the historical experiences of international disciplines. Defining BRI as the Marshall Plan of China, seeking a mercantilist endeavor, showing Chinese exceptionalism and peripheral diplomacy are all among the concepts used to discuss BRI with international relations perspective.

As definitions and understanding of BRI vary, so do the actors involved in its implementations. In fact, the network map has both vertical and horizontal connections with different state and international actors at various levels. Implementing BRI requires pure diplomatic relations between countries to set up MoUs for legal basis of the projects, the political& economic relations to set up the agencies involved and the economic financial relations to finance the projects. The involvement steps of SASAC to decide which central SOE will go abroad and involvement of provincial governments to choose which local SOE will coordinate with the central one constitutes an intense rivalry between the actors. Therefore, the competition between provinces, Zombie SOEs and local subsidiaries to go global starts to politicize SOEs by making them consider not just economic calculations but also the non-economic, i.e., political ones.

As SOEs are seen to be politicized, the differentiation between SOEs political and non-political role was also required to be covered to enlighten the main argument of the thesis. While being financial investors and being purely technocratic players with no right to choose were taken as non-political roles SOEs play, analyzing the

politicization of them was explained by using Nie's three models of SOE and government interaction for BRI. It should be noted that this thesis provided two ways of politicization: political influence from government to SOEs and from SOEs to government. While the first one had already raised several questions in the literature and started to be studied worldwide, this thesis argued the existence of the second influence, i.e., from SOEs to government, by showing how SOEs are actually politicized when they go abroad via BRI.

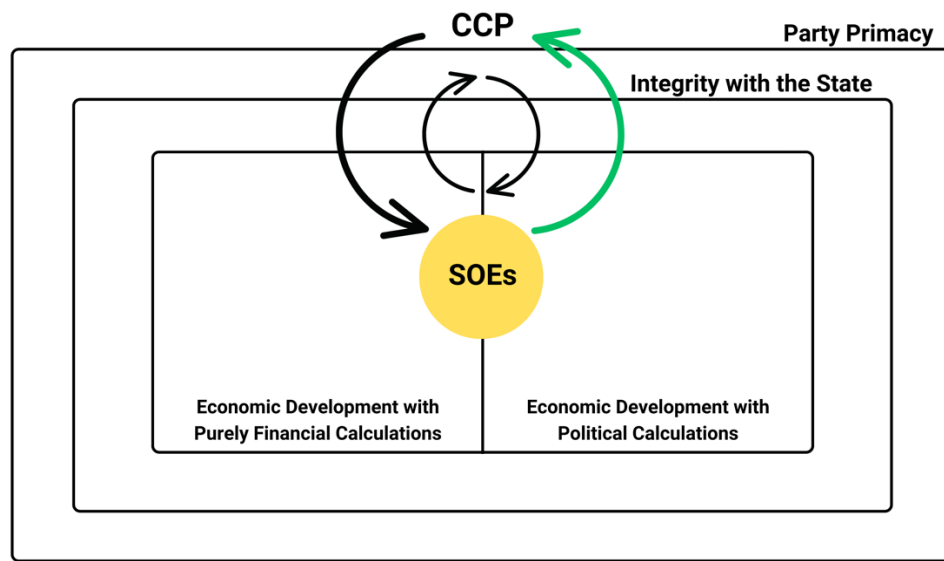


Figure 7: Relationships Between Core Political Aspects of China with SOEs

Source: Designed by the author.

The first direction of political influence from government to SOE is proved to be at the maximum level in government + SOE model due to the pioneer and decision maker role government is assigned. Therefore, SOEs turned out to be de facto ambassadors of the government with their civil and non-CCP titles. These civil titles are also what makes SOEs easily integrate into the bureaucracy of the host country, making SOEs an extension of the government outside. The fact that SOEs involve in specific projects by the government order even though they knew it will cause financial losses for them, proves the point of SOEs are civil tools of the government and that government has a solid political power over the SOE. In fact, this political

power should not be mixed up with CCP's regular supervisory role through SASAC. Instead, it is directly serving for the objectives of CCP abroad.

It was seen that this political empowerment of SOEs abroad also creates a situation in which SOEs start to have their own political identity with own desires. Nie's independent SOE and SOE + government model, in that sense, helped the discussion to flip the coin and analyze the other side of it. Taking the situation in which SOEs have alternatives, with each representing different political outcomes, and in which they follow one of them with their own will as the political influence, an SOE operating in independent model is proved to be the most political SOE profile among the other models. Nie's independent SOE model provides how weak the government's influence over the SOE is because all the bureaucratic and research steps are made by the SOE and there has been no direct government intervention to decide the projects. Yet, this weakness is the exact tie making SOE politically powerful abroad. This situation creates an opportunity for the SOEs to *interpret* the government's principles and decide the path to follow based on their own interests. The competition between MFA and MOFCOM for BRI projects abroad also puts SOEs in a unique position to decide which one's principle to prioritize. In fact, several examples from recent history have also been provided to show the potential impact of SOEs choosing one over the other with their own will. Lastly, the lack of an official BRI map creates a technocratic gap to be filled by SOEs and allow them to design any project that can be easily integrated under the initiative of BRI. In this way, they also have a political preference for choosing which local political actors to contact or which regions to avoid. Although not as flexible as the independent model, the SOE + government model also provides a space for SOEs to have political power but with more control from the government side as they will be the financiers and check every step of the project.

Overall, this thesis analyzed the two directional ways of politicization of SOEs in the implementation of BRI, working within the framework of CCP's party primacy and Chinese developmentalism. In fact, the unique contribution of this thesis regarding the existence of the second direction of political influence from SOEs toward the government enlightens new study areas for future research because as China is getting more and more global every day and as more non-state actors are involving in international politics, the political role of Chinese SOEs abroad will strengthen its position.



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APPENDICES

A. TURKISH SUMMARY / TRKE ZET

Bu tez, in Devlet İktisadi Teşebbüslerinin (DİT'ler) eşsiz hikayesini ve bunların zarar eden *ekonomik* kurumlardan kâr eden *siyasi* kurumlara dönüşüm sürecini analiz etmektedir. Kalkınmacılığın popülaritesinin azalması nedeniyle dünyadaki birçok ülke DİT'leri kaldırmış olsa da, in örneği DİT'lerin etkin kullanımı sebebiyle farklı bir hikaye sunmaktadır. Özellikle dönüşüm süreçleri sayesinde inli DİT'ler, etkili ekonomik ve politik aktörler olmuş ve in kalkınmacılığı için çok kritik bir konuma yerleşmiştir. Ancak mevcut literatürdeki DİT anlayışı, çoğunlukla sadece ekonomik hesaplarla şekillenen Batı merkezli kalkınmacılığın klasik deneyimlerine dayandığından, inli DİT'lerin günümüz in'inde nasıl ve neden bu kadar etkin bir rol oynadığı sorusu yanıtsız kalmaktadır. Ek olarak, in, ekonomik diplomasisi ve Kuşak ve Yol Girişimi (KYG) gibi kapsayıcı girişimleri sayesinde her geçen gün daha fazla küreselleşirken, DİT'ler hem ekonomik hem de siyasi güce sahip daha da güçlü kurumlar haline gelmekte ve bu da onları in'in dünya sahnesindeki diplomasi adımlarını anlamak için önemli aktörler haline getirmektedir.

Bu tez, in'in uzun yıllardır süren reform süreciyle zarar eden ekonomik DİT'lerini kâr eden siyasi kurumlara dönüştürdüğünü ve onları yurtdışında *de facto* elçiler haline getirdiğini savunmaktadır. Özellikle in Komünist Partisi'nin (KP) parti üstünlüğünü, partinin devletle bütünleşmesini ve in'e özgü kalkınmacılığı bu sürecin temel ilkeleri olarak alan inli DİT'ler, yapılan reformlar sonucu eskisinden çok daha etkili ekonomik ve siyasi güçlere erişmiştir. Böylesine önemli bir konuma sahip olan DİT'ler, aynı zamanda devletin elindeki siyasi araçlara dönüşmüştür. KYG'nin devreye girmesiyle birlikte, DİT'lerin in kalkınmacılığındaki rolü sadece ülke içinde kullanılmakla kalmayıp, dışa dönük stratejilerde de yer almaya

başlamıştır. Ekonomik liberalleşme ve siyasi otoritenin eşzamanlı varlığı Çin'in DİT reformlarını tanımlayabilecek en önemli iki konsept olurken, Çin Komünist Partisinin DİT'leri KYG projeleri aracılığıyla yurtdışında ÇKP bağlantılı kimliklerinden bağımsız şekilde, yani sivil kimlikleri ile, diplomasi araçları olarak kullanmasına imkan tanımaktadır. Bu nedenle, bu tez Çin DİT'lerinin siyasileştiği sürecin detaylı incelemesini sunmaktadır. Bu siyasallaşma iki yönlü olarak ele alınacaktır. Devletin DİT'ler üzerindeki siyasi etkisi olarak birinci yön literatürde halihazırda tartışılmaya başlanmışken, ikinci yön olarak DİT'lerin devlet üzerinde etkili olan siyasileşmesi bu tezin mevcut literatüre özgün katkısını oluşturacaktır. DİT'lerin siyasallaşmasının ikinci yönü, DİT'lerin siyasi dinamikleri etkileyebilen ve hatta manipüle edebilen kurumlar haline geldiği senaryoya atıfta bulunacaktır. İki yönlü siyasallaşmanın varlığının en kapsamlı örneği olması sebebiyle bu tez KYG'nın uygulama sürecinin incelemesini kapsayacak ve bu argüman KYG çerçevesiyle açıklanacaktır. Başka bir ifade ile KYG, Çin kalkınmacılığı için yeni bir sayfa açmakla beraber, yurtdışına *de facto* elçiler olarak gönderilen DİT'lere hükümet üstünde siyasi güç elde etme imkanı da sunmaktadır. Ancak bu durumun her KYG projesindeki tüm DİT'lerin siyasileştiği anlamına gelmediğinin altı çizilmelidir. Bu kapsamda DİT'lerin hangi koşullarda ve uygulama süreçlerinde hangi açılardan siyasileşebileceği ilerleyen bölümlerde detaylı şekilde incelenmektedir.

Tez boyunca, teorik bir çerçeve sağlamak için tartışmalar ağırlıklı olarak Çin kalkınmacılığı ve DİT kavramları etrafında şekillenmiştir. KYG projelerinin pratik uygulama akışı ise DİT'lerin kendi siyasi güçlerine sahip olmaya başladığı alan olarak bu teorik arka planın gerçek politika akışına yansımaları analiz etmek için odaklanılacaktır. Tez boyunca Çin kalkınmacılığı, siyasi parti üstünlüğü ilkesinden vazgeçmemekle birlikte az gelişmiş bir sosyalist ekonomiden gelişmiş bir endüstriyel ekonomiye geçişe atıfta bulunmak için kullanılacaktır. Buna karşın kalkınmacılığın ana akım anlamı ile Çin kalkınmacılığı arasındaki fark da detaylı şekilde sunulmalıdır. Bu kapsamda ana akım kalkınmacılık genel olarak DİT'lerin mümkün olduğunca siyasi etkiden uzak, liberal çizgide ve Keynesyen bir çerçevede hareket etmesini beklerken Çin kalkınmacılığı DİT'leri ekonomik olarak liberalleştirmiş

ancak siyasi olarak otoriteyi sağlamlaştırmıştır. Ana akım kalkınmacılığı devletin rolünü üretici, yatırımcı ve düzenleyici olarak benimserken, Çin kalkınmacılığında devletin rolü kara verici olarak da ortaya çıkmaktadır. Çin, DİT'ler arası ciddi rekabetlere de imkan tanıyan bir piyasa geliştirirken ideolojik çatışmaları da arka plana itmiştir. Bu kapsamda değerlendirildiğinde Çin'in siyasi yapısının partinin üstünlüğünü, parti-devlet yapısını ve ekonomik kalkınmayı gerekli kılması, Çin'in DİT'leri merkeze alan bir kalkınmacılık modeli geliştirmesini sağlamıştır.

Bu tez aynı zamanda DİT'lerin siyasallaşmasını, devletin emirlerini yerine getirmek için birden fazla yola sahip olduğu ve sonunda elde edecekleri ekonomik olmayan çıkarlara göre bunlardan birini seçtiği bir senaryo olarak ele alacaktır. Bu tez araştırması boyunca, hangi devlet dairesinin ilkelerine öncelik vereceklerine karar verme konusunda kendi siyasi alternatiflerine sahip oldukları fark edilmiştir. Örneğin Dışişleri Bakanlığı ile Ticaret Bakanlığı arasındaki rekabet bu farklı alternatiflerin yol açtığı en somut örneklerden biri olarak analiz edilmiştir. Bu rekabet koşulları, DİT'lerin ekonomik olmayan çıktıları da dikkate alarak aralarından birini diğerine tercih etmelerine ortam oluşturmaktadır. Başka bir deyişle, siyasallaşma, mutlaka Dışişleri Bakanlığı yerine Ticaret Bakanlığı'nın çıkarlarını seçtikleri anlamına gelmez. Daha ziyade, kesin hükümet emrini eyleme geçirirken bu kurumlardan birinin çıkarlarına ve prensiplerine öncelik vermek için bunlardan birini seçmeleri ve seçme şansları olması olarak değerlendirilebilir. Bu kapsamda DİT'lerin siyasileşmesi günün sonunda kimi seçtiklerinden ziyade bir seçim yapabilecek bir pozisyona gelmeleri şeklinde yorumlanabilir.

Bu tez, Çin'in ekonomik kalkınmasına atfedilen önemin, Çin'i DİT'leri merkeze alarak kendi kalkınmacılık modelini geliştirmeye yönelttiği sonucuna varmakla beraber, KYG'nın açıklanması ve uygulanmaya başlaması ile, DİT'lerin kalkınmacılıktaki bu kullanım gücünü dışa dönük bir diplomasi aracına dönüştürmüş olması ve dolayısıyla DİT'leri siyasallaştırmasını tartışmaktadır. Bu siyasallaşma, aynı zamanda DİT'lerin KYG projelerinin yurtdışındaki uygulama sürecinde belirli siyasi yetkileri ele geçirmesine ve dolayısıyla hükümet üzerinde de siyasi bir etkiye sahip olmalarına olanak sağlamıştır.

Bu *de facto* elçilik ve siyasallaşmanın kapsamlı bir şekilde anlaşılmasını sağlamak için öncelikle tüm bunların başladığı ilk ana geri dönmek gerekir. Ekim 2013'te Çin Devlet Başkanı Xi Jinping, Genel Sekreterlik görevini üstlendikten hemen sonra Kazakistan'ın Nazarbayev Üniversitesi'nde yaptığı konuşmayla eski İpek Yolu'nun yeniden kurulması için çağrıda bulundu. Sadece bir ay sonra Endonezya Parlamentosu'na hitaben yaptığı konuşmada Deniz İpek Yolu'nun kuruluşunu tanıttı. Akademisyenler ilk başta Xi'nin Çin'in küresel ticaretteki hâkim konumunu sürdürmek için eski İpek Yolu'nu uyandırmayı planladığını düşünürken, kısa sürede Xi'nin stratejisinin daha kapsamlı bir plan olduğu anlaşıldı. Daha sonra Kuşak ve Yol Girişimi (一帶一路 yi dai yi lu-KYG) olarak adlandırılan girişim, birkaç kıtada 140'tan fazla ülkeyi kapsadı ve küresel ticaretin yaklaşık % 40'ını ve dünya ticaretinin 1/3'ünü oluşturan ülkelerin aktif katılımını sağladı. Mao'nun kuruluş döneminin ardından Deng Xiaoping'in dışı açılım politikası, Çin'in küresel görünümünü arttırıcı etkiye sahip olmuşken, Xi'nin böylesine kapsamlı bir girişimi açıklaması dünya çapında pek çok uzmanın da ilgisini çekti. KYG'nın özellikle Çin'in dünya çapındaki aktif rolünü koruması ve en önemlisi Batı kökenli gelişim modeline bir alternatif sağlama potansiyeli de dikkat çeken unsurlar arasındaydı.

Dünya çapında 140'tan fazla ülkeyi kapsayan Çin'in KYG'nın, diplomasi ve ticaretin her alanında küreselleşerek temel oluşturması potansiyeli de dikkat çeken unsurlardan biri olarak görülmektedir. Bu kapsamlı diplomasiye devlet dışı aktörlerin katılımı, Çin diplomasisinin gidişatını şekillendirmeye başlamıştır. KYG'nın temel oyuncularından biri olan Çinli DİT'ler, Çin'in *de facto* elçileri haline geldikleri bir noktaya ulaşmıştır. Yine de Çin'in dışarı açılım politikasının mekânsal ve geliştirilmiş versiyonu ve yeni dış politikası olarak KYG için DİT'lerin kullanılması, halihazırda sunulmuş olan deneyimleri DİT'lerin verimsizliğini gösteren ana akım düşünceden farklı olması sebebiyle pek çok akademisyenin de ilgisini çekmiştir.

Öte yandan, Çin'in özgünlüğünün de tam bu noktada ortaya çıktığı anlaşılmaktadır. Bu durumun en önemli sebeplerinden birinin Çin DİT'lerini hem iç siyasette hem de

dış ilişkilerinde oldukça etkin kullanıyor olmasıdır. Bu nedenle, bu tez Çin DİT'lerinin benzersizliğine odaklanmaktadır. Aslında, yakın tarihleri boyunca yaptıkları reformlar sayesinde Çinli DİT'ler artık yurt dışında hem siyasi hem de ekonomik olarak güçlü aktörler haline gelmiştir. Bu nedenle bu tez, Çin'in DİT'lerinin zarar eden ekonomik kurumlardan başarılı bir şekilde kâr eden siyasi kurumlara dönüştürüldüğünü savunmaktadır. KYG ise DİT'lerin siyasallaşmasını incelemek için benzersiz bir örnek teşkil etmektedir. Çinli DİT'ler, KYG ile yurt dışına çıkarak siyasi kurumlar ve Çin'in yurtdışındaki *de facto* elçileri haline gelmiştir. Bu siyasallaşma, sadece devletin DİT'ler üzerindeki siyasi etkisini içermekle kalmaz, aynı zamanda DİT'lerin kendi siyasi tercihlerini yapmaları ve dolayısıyla hükümet üzerinde siyasi güce sahip olmaları için uygun bir ortam yaratır. Başka bir deyişle, “devlet mülkiyeti bir biçimi tanımlar, ancak içeriği zorunlu olarak tanımlamaz” (Medeiros & Majerowicz, 2022, s.220) iddiasının aksine, bu tez, devlet mülkiyetinin DİT'lerin hem biçimini hem de içeriğini tanımladığını savunur. Ayrıca, mevcut literatür ÇKP'nin siyasi gücünün DİT'lerin ekonomik gücü ile birleştirilmesine odaklanmaktadır. Yine de bu yaklaşım, DİT'lerin, özellikle Çin dışındaki KYG uygulaması sırasında ÇKP'ninkiler kadar önemli görünen kendi siyasi yetkilerine ilişkin anlayıştan yoksundur. Bu nedenle bu tez, literatürde Çinli DİT'lerin siyasallaşmasındaki boşluğu doldurmayı amaçlamaktadır.

Çin DİT'lerinin siyasallaşmasını analiz etmek için ilk bölüm, Çin'in benzersiz siyasi yapısına ve DİT'lerin literatürdeki genel anlayışına ilişkin bir arka plan sağlamaktadır. Aslında, Çin siyasetinin özü olarak, ÇKP'nin parti üstünlüğü ve devletle bütünleşmesi kavramları daha ayrıntılı olarak analiz edilmektedir. Sosyalizm etiketini açmak, ekonomik kalkınmanın rolü ve ÇKP'nin hayatta kalması için önemi de tartışmanın ana eksenine yön veren unsurlar arasındadır. Aslında, ekonomik kalkınma, ülkede istikrarlı bir rejimi sürdürmek için bir ölüm kalım meselesi olarak değerlendirilmekte ve partinin üstünlüğünün korunması için ekonomik kalkınma meşruiyeti sağlayan bir araç olarak görülmektedir. Buradaki temel nokta ÇKP'nin başta bir devrim gözetken bir partiden hükümeti yöneten bir parti kimliğine geçmiş olmasıdır. Dolayısıyla ÇKP politikaları temelde partinin mutlak üstünlük ve kontrolünü hedefleyen adımlar olarak görülebilir. Bu durum partinin varlığının hem

yatay hem de dikey ekseninde Çin’de gündelik yaşamın her alanına entegre edilmesini de açıklamaktadır. Çin’in parti üstünlüğü, parti-devlet yapısı ve sürekli ekonomik kalkınma gerekliliği, Çin’in kendi ilkelerine bağlı kalırken yeni ve kendine özgü bir ekonomik kalkınma modelini geliştirmesini de gerekli kılmıştır. Çin’in ekonomik kalkınmasının tarihsel yönüne kısaca değinilirken, tartışma Çin’e özgü kalkınmacılığın temel kavramını gündeme getirmektedir. Aslında, az gelişmiş bir sosyalist ekonomiden gelişmiş bir endüstriyel ekonomiye geçişe atıfta bulunan Çin kalkınmacılığı, sosyalizmin politik ideolojisi ile piyasaların liberalleştirilmesini bir ölçüde dengeler. DİT’lerin Çin kalkınmacılığındaki rolünü vurgulamak için, DİT’lerin mevcut literatürdeki genel anlayışı ve Batı deneyimleri de ele alınmaktadır. Tipik bir DİT’in yaşam döngüsünün çemberini sunan ve DİT’lerin başlangıç noktası Çinli DİT’lerin durumuna çok benzeyen bir örnek olarak Türkiye’deki DİT’lerin analizi de DİT’lere karşı ana akım anlayışı ve Çin’in özgün anlayışını karşılaştırmak için etkili bir analiz olarak değerlendirilmiştir. Bu sebeple, çalışmada Türkiye’deki DİT deneyimine de kısaca değinilmiştir. Türk DİT’leri örneği de bu tezin ana argümanını göstermesi açısından önemlidir.

Geleneksel kalkınmacılık anlayışı değerlendirildiğinde, devletin ülkelerinin ekonomilerinde ve kalkınma süreçlerinde aktif rol oynayabileceği düşüncesi vurgulamaktadır. Özellikle 1940-1960’lı yıllarda ekonomik problemlerin yaşanmaya başlaması ile birlikte, devletin ekonomiye müdahale etmesi gerekliliği duygusu giderek artmıştır. DİT’ler ise bu kapsamda devletin ekonomiye müdahale araçları olarak sunulmuş ve belirli bir dönem etkilerini göstermiştir. 1970’lerdeki sermaye birikimi sorunları, Fordist üretim ve refah devleti ilkelerinden vazgeçilerek ve piyasaların derinleştirilmesi umuduyla minimal devlete geçilerek aşmaya çalışılmıştır (Zengin, 2009). Washington Konsensüsü ve Dünya Bankası gibi uluslararası kuruluşların, devletleri neoliberal ilkelere dönmeye ikna etmedeki yol gösterici rolü ise, kalkınmacılığın düşüşünü hızlandırmıştır. Bu nedenle, kalkınmacılık anlayışı, Batılı ülkelerin başarısız deneyimlerinden dolayı sınırlı kalmıştır.

Çin ise tamamen kendine özgü bir kalkınmacılık perspektifini benimsemektedir. Aslında bu özgünlük, ÇKP tarafından kontrollü kapitalizasyon ile sosyo-ekonomik değişimlere rağmen mevcut siyasi yapının sürdürülmesi arasındaki optimum denge ile gösterilmektedir (Sezen, 2021). İdeolojik çatışmanın derecesini düşürmek ve kapitalist ve sosyalist mekanizmaların pratik dengesine odaklanmak, devletin siyasi üstünlüğünü sürdürmek için yeterince doğrudan olmasına ve aynı zamanda kalkınma odaklı kurumların iç rekabetlere girmesine izin verecek kadar dolaylı olmasına izin vermiş ve özgün bir model çıkartmıştır. Çin'e özgü kalkınmacılıkla ilgili literatürdeki genel tartışma, hem siyasi hem de ekonomik bir araç olarak kullanılan DİT'leri de ön plana çıkarmıştır.

Çin'in siyasi parti önceliği ve ekonomik gelişimine ilişkin arka plan bilgilerinin ardından, ikinci bölüm Çin DİT'lerinin önemi ve özelliklerine odaklanmaktadır. Bu nedenle, bu kadar gelişmiş bir ekonominin hala DİT'lere ihtiyaç duymasının nedenleri ve bunların zarar eden ekonomik kurumlardan kâr eden siyasi kurumlara dönüşme biçimleri detaylı şekilde analiz edilmektedir. Çin'in Anayasasında da belirtildiği üzere sosyalist bir devlet olması ve hiç bir finansal kar elde edilmese bile sosyalizmin bir gerekliliği olarak devlet şirketlerinin var olması, DİT'lerin aslında devlet için yedek bir ekonomik araç görevi görmesi, DİT'lerin devlet tarafından gelişimi gerekli görülen sektörlerle kolayca yönlendirilebilmesi ve son olarak DİT'lerin çalışanlarına sunulan refahın sosyalist bir ülke olarak Çin'in her bir vatandaşına sağlamakla yükümlü olduğu şartları yerine getirmede kolaylık sağlaması, Çinli DİT'lerin öneminin altını çizmiştir. Aslında, 2003 yılında Devlete Ait Varlıkları Denetleme ve İdare Komisyonu'nun (SASAC) kurulması ve DİT'lere parti müdahalesinin mekanizmaları DİT'lerin bu faktörleri sağlayan kurumlar olmasının yanında siyasileşmeye başladığı süreç için de özellikle önemli olan ana kavramlar olarak tartışılmıştır. KİT'lerin sahiplik, denetim ve karar verme süreçlerine ilişkin benzersiz ağ yapısını ve bunların diğer devlet aktörleri ile bağlantıları da DİT'lerin kurumsal yönetim mekanizmasına ek olarak siyasi olarak da yönetildiğinin en somut örneklerinden biridir ve birinci yön siyasileşmeyi somut şekilde sunmaktadır.

Çinli DİT'lerin bu kadar güçlü bir siyasi yönetimin altında bulunması için kurulan yönetim modeli de incelenmektedir. DİT'ler sadece sahiplik yapıları açısından değil, yönetim mekanizmaları açısından da benzersiz kurumlardır. Başka bir deyişle, DİT'ler hem kurumsal yönetim mekanizmalarının hem de siyasi yönetim mekanizmalarının birleşimine sahiptir. Kurumsal mekanizma, yönetim kurulu veya denetçiler gibi ilgili yönetim organları ile yönetim tasarımı takip eden klasik özel girişimi ifade eder. Bekleneceği gibi, kurumsal yönetim yapılarında şirketlerin yönetim organları yalnızca hissedarlar için en iyi sonuçları sağlamak için çalışır. Çin örneğinde, DİT'lerin kurumsal yönetim yapıları, 1993 yılında çıkarılan Çin Şirketler Kanunu'na da yasal olarak bağlı olmalarını gerektirmektedir. Öte yandan, siyasi yönetim mekanizması, DİT'lere hükümet tarafından kararlaştırılan özel hedefler getirmektedir. Bu anlamda DİT'lerin siyasi yönetimi yerine getirmek için 4 temel ayağı şu şekilde sıralanabilir: devlet mülkiyeti, partinin kadro yönetim sistemi, karar alma sürecine katılım ve parti içi denetim (Jin vd., 2022). Önceki bölümlerde tartışıldığı gibi, DİT'lerin mülkiyet yapısı farklılık göstermektedir. Bu özel girişimlerden ve onları yasal olarak devlete ait kılmak, daha sonra herhangi bir siyasi kurumun DİT'ler üzerindeki her eylemini meşru gösterir, çünkü günün sonunda o şirketin sahibi olarak rol oynarlar. Ancak, burada belirtmek gerekir ki, Çinli yetkililerin resmî belgeleri ve konuşmaları, diğer tüm devlet varlıkları gibi DİT'lerin de tamamen halkın mülkiyetinde olduğunu açıkça belirtmektedir. Yine de, hükümet düşüncesi ve halkın iradesinin denetimine verilmesi onları meşru bir konuma getirmektedir. Bu nedenle, DİT ile hükümet arasındaki mülkiyet ilişkileri, sonraki üç sütunu daha da meşrulaştırmak için çok önemli bir ilişki olarak görülebilir. Partinin kadro yönetim sisteminin ikinci ayağı ise asıl siyasi etkinin DİT'lerin yönetiminde ortaya çıktığı yer olarak değerlendirilmektedir. Bu sistemin genel prensibi, yine hükümet tarafından kararlaştırılan kilit DİT'lerin üst düzey yöneticilerinin ÇKP merkez komitesi tarafından atanması, kilit olmayan DİT'lerin yöneticilerinin ise doğrudan yönetime bağlı olan SASAC tarafından atanmasıdır. Kadro sistemiyle atanan DİT yöneticileri, parti içinde hem yönetici hem de belli siyasi unvanlara sahip yarı memurlardır. Sistem, yöneticilerin partinin siyasi ideolojisi doğrultusunda hareket eden, partinin getirdiği ilke ve gereklilikleri tam olarak anlamış kişiler arasından seçilmesini sağlarken, üst yönetim kademelerine atanan yöneticiler de

partinin siyasi ideolojisine bağılı olduğunun bilincindedir. Hem partiye hem de Şirketler Kanununa bağılı oldukları ve her ikisini de dengelemek zorunda oldukları bir pozisyona sahiplerdir. Devlet, gerektiğinde önlem alabilmek için üçüncü ayak olarak ön ve çapraz atama sistemlerini de uygulamakta ve her DİT'in karar alma süreçlerine aktif olarak katılmaktadır. *Ex-ante* sistemi, DİT'ler tarafından alınan tüm kararlardan ilgili tarafın haberdar olmasını ve onaylanmasını sağlayacak şekilde tasarlanmıştır. Gündeme istenmeyen bir karar konulması durumunda, parti komitesinin veto hakkı vardır ve bu kararın uygulanması veto ile durdurulabilir. Bu anlamda, *ex-ante* sistemi herhangi bir DİT kararını etkilemek ve yönlendirmek için en somut ve güçlü araç olarak öne çıkmaktadır. Bununla birlikte, veto yetkisinin hükümetin elinde nadiren kullanılan bir araç olmaktadır. Bunun temel sebebi halihazırda çapraz atama sisteminin zaten karar vericilerin tümünün parti ile aynı çizgide olmasını sağlıyor olmasıdır. Bu durumda, çapraz atama, resmi parti üyelerinin karar alma organlarına atanmasını ifade eder ve bunlar sürekli olarak farklı DİT'lerin benzer komiteleri arasında dönüşümlü olarak yer değiştirir. Parti içi denetimin son ayağı ise DİT'lerin genel performansının izlenmesi, raporlanması ve disiplin teftiş kuruluna bağılı olarak yönetilmesidir.

Sınırları içerisinde 150.000'den fazla DİT'e ev sahipliğı yapan Çin'in DİT'leri kontrol etmek ve aynı zamanda hükümetin onları daha yönetilebilir hale getirmesi için onları kategorize etmesini gerekliliğı doğmuştur. Bu sınıflandırma, DİT'lerin farklı seviyeleri ve türleri arasındaki dinamikleri ve ayrıca devlet ile DİT arasındaki ilişkinin doğasını da önemli ölçüde etkiler. Örneğın, yerel düzeydeki DİT'ler, benzer başarı öykülerine sahip farklı bölgelerdeki ama aynı seviyedeki DİT'lerle rekabet ettikleri için en rekabetçi olanlar arasında kabul edilmektedir. Merkezi düzeydekiler ise dünya çapında en başarılı olarak görülen ve bu nedenle kendi özel çalışma alanlarında tekel olma şansı daha yüksek olanlardır. DİT'lerin seviyeleri, Çin'in yurtdışındaki de facto elçisi olma olasılığını önemli ölçüde etkilemektedir. Ancak burada DİT türlerini de incelemek gerekir çünkü devletin belirli bir DİT'e hangi araçlarla ne kadar müdahale edeceğine ve belirli bir DİT türünü küreselleşmeye ne kadar uygun göreceğine de karar verir.

DİT'lerin siyasi kontrolüne ilişkin tartışmanın ardından, DİT'lerin de facto elçiler olarak hareket edeceği Çin ekonomik diplomasisinin uluslararası yönü sunulmaktadır. Bu bölümde öncelikle Mao, Deng ve Xi'nin diplomasi dönemi arasındaki farklar gösterilmiş, Çin'in geçerken nehirdeki her taşla basarak ve hissederek geçme ilkesinin ekonomik diplomasisini nasıl şekillendirdiği gösterilmiştir. Diplomasinin merkeziyetsizleşmesi ve transprofesyonelleşmesi kavramları, KYG uygulamasında DİT'lerin rolünü analiz etmek için özellikle önemli bir konumda analiz edilmiştir. Daha sonra KYG'nın doğasını hem yerel hem de uluslararası perspektiflerden anlamak için literatürdeki temel argümanlar özetlenmiştir. Dış politikanın mekansal bir versiyonu olarak KYG'ni yeni bir dış politika olarak ele alan uygulama süreci ve ağ haritası, DİT'in de facto elçiler olarak rolünü tartışmak için ana bölümleri oluşturmuştur. Uygulama sürecinde devlet kurumları arasındaki rekabet, DİT'lerin siyasileşmesi için yeni bir alan açarak tartışmayı daha da aydınlatmaktadır. Bu nedenle, DİT'lerin KYG'de oynadığı siyasi ve siyasi olmayan rol arasındaki farklar da belirtilmiştir. Siyasi güç olarak tanımlanan senaryo DİT'lerin devlet kurumları ve çıkarları arasında kendilerinin ekonomik olmayan çıkarlarını dikkate alarak bir seçeneğinin olmasını ve bu seçeneği seçebilme şansı olmasını ifade etmektedir. Bu durum özellikle DİT'lerin merkezi hükümet emirlerini yorumlama ihtimallerinden gelmektedir. Nie'nin KYG projelerinde DİT ile hükümet arasındaki üç etkileşim modeli ele alınmış ve ilk model olan Hükümet + DİT modelinde DİT'lerin diplomatik araçlar ve de facto elçiler olarak rol oynadığı savunulmuştur. Buna karşın ikinci yönde ise Nie'nin ikinci ve üçüncü Bağımsız KİT ve KİT+ Hükümet modellerine odaklanılmış ve DİT'lerin bu modeller altındaki uygulamalarda çok daha fazla siyasileştiği ve hükümet üzerine siyasi etkiye sahip olduğu analiz edilmiştir. Bu kapsamda bu tez, DİT'ler ile hükümetin nasıl birbirlerinin siyasi araçları haline geldiğini savunmuş ve bu ikili siyasi etkiyi KYG projeleri üzerinden analiz etmiştir.

Uzmanlar arasında, özellikle KYG sonrası dönemde Çin diplomasisinin merkeziyetsizleşmesi ve transprofesyonelleşmesi sayesinde KİT'lerin Çin hükümeti için dış politika araçları haline geldiği konusunda açık bir fikir birliği bulunmaktadır. DİT'lerin dış politika aracı olup olmadığı ise KYG'de izlenen uygulama modeline

bağlıdır. Nie, Hükümet + DİT modelinde çıkarların ve önceliklerin hepsinin hükümet tarafından belirlendiğini ve DİT tarafından kabul edildiğini savunur. Dolayısıyla model, DİT'leri yurt dışında dış politika aracı olarak açıkça elinde bulundurmaktadır. Ayrıca, bu tez, Hükümet + DİT modelinde, hükümetin DİT üzerinde güçlü bir siyasi etkiye sahip olduğunu savunmuştur.

Öte yandan, bağımsız DİT ve DİT + Hükümet modelleri, DİT'lerin güçlü bir siyasi güce sahip olduğunu savunulduğu modellerdir. Bu iki model aynı zamanda iki taraflı etkiyi gösteren modellerdir ve burada bu tez DİT'lerin de hükümeti etkilemek için siyasi bir güce sahip olduğunu savunmaktadır. Bu anlamda Nie, DİT + Hükümet modelinde önceliğin DİT'lerin ekonomik çıkarlarına verildiğini savunsa da, modelin uygulanmasından kaynaklanan pratik potansiyel nedeniyle DİT'ler karar alırken hem ekonomik hem de siyasi sonuçları dikkate almaktadır. DİT + Hükümet modeli ayrıca, hükümetin DİT'ler üzerinde üstün bir siyasi etkisinin olmadığı, ancak DİT'lerin hükümet üzerinde siyasi etkiye sahip olduğu bir senaryo da sunmaktadır. Aslında bu nedenle Nie, DİT'lerin bu model altında hükümetin elinde zayıf araçlar olduğunu da savunmaktadır. Son olarak, bağımsız DİT modeli en politik DİT profilini sunmaktadır. DİT ile devletin çıkarları örtüşse de DİT'ler devlet için bir politika aracı olarak görülemez. Bunun yerine, yurt dışında KYG için faaliyet gösterdiklerinde hükümet üzerinde kendi siyasi etkilerine sahip olurlar.

Çin, dünya sahnesinde her geçen gün daha önemli bir siyasi aktör olarak öne çıkarken, Çin'in küreselleşme yöntemlerini anlamak da önem kazanmaktadır. Eşsiz karakteristik diplomasi yapısı ile Çin, devlet dışı aktörlerin yumuşak güçlerinden yararlanmaktadır. Bu nedenle, küresel Çin'i anlamak için en etkili diplomasi aracının, yani DİT'lerin rolü de anlaşılmalıdır. Ancak, fiilen dışarıda siyasi aktörler haline gelirken, DİT'lerin de siyasi bir şekilde hareket edebildiğini belirtmek gerekir. Dolayısıyla bu tez, DİT'lerin KYG uygulamasındaki siyasi güçlerini anlayarak literatürdeki boşluğu doldurmaktadır.

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