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Navigating Tripartite Cooperation: Chinese, Western, and Beneficiary Country Engagement in Economic Infrastructure Projects

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Abstract

In 2015, the Chinese government proposed tripartite cooperation (*Di San Fang Shi Chang He Zuo*) as a new approach to promote economic cooperation between Chinese enterprises and western enterprises in a third, beneficial country. This research aims to provide an overview of Chinese tripartite cooperation projects and explore how China, western countries and beneficiary countries cooperate in economic infrastructure projects. To address the research question, data was collected on 68 tripartite cooperation projects in economic infrastructure, particularly in the transportation and energy sectors. Dummy variables were used to measure the degree of engagement of China, Western countries, and beneficiary countries in the four dimensions (state-owned enterprises, government direct financing, high-level government officer meetings, and policy support), as well as cooperation records between the entities of the bilateral partners (China-Western, Western-Local, China-Local). China depends on national capital and investment from state-owned enterprises in tripartite cooperation projects, while Western countries typically rely more on the participation of private sector giants. Beneficiary countries usually provide local policy support to tripartite cooperation activities. Through these efforts, participants can achieve convergence in tripartite cooperation by reconciling divergent interests and goals.

Keywords

Chinese Tripartite Cooperation; Infrastructure Investment; International Cooperation.

1. Introduction

In 2015, the Chinese government proposed tripartite cooperation (*Di San Fang Shi Chang He Zuo*) as a new approach to promote economic cooperation between Chinese enterprises and western enterprises in a third, beneficial country. In 2019, the Chinese National Development and Reform Commission (NDRC) published the Third-party Market Cooperation Guidelines and Cases [1], which aimed to define tripartite cooperation, provide vision and principles of tripartite, clarify cooperation mechanisms and platforms, and classify Chinese tripartite cooperation project cases. This document provides a general overview of Chinese tripartite cooperation.

By the end of 2022, the Chinese government had signed documents of tripartite cooperation with 14 advanced economies. These documents are typically in the form of Memorandum of Understanding (MOU) and are usually signed during high-level leadership meetings between China and Western countries. In some cases, joint statements on tripartite cooperation are also included. The Lists of Key Projects for tripartite cooperation are usually proposed by both governments and include previous cooperation projects as well as potential projects for the future. Once the MOU or joint statement is signed, the tripartite cooperation can move to the planning stage. The Chinese government uses multiple platforms, such as Strategic Economic

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Dialogues, Working Groups, Forums, Cooperation Fund, and Belt and Road Centres, to promote tripartite cooperation with these 14 advanced economies.

The NDRC has classified Chinese tripartite cooperation projects into five categories. The first category is *Type I: Cases of Cooperation in Products and Services*. Chinese and Western partner companies cooperate in equipment procurement, certification and licensing, and law consulting to provide final products, services, and solutions to customers in beneficiary countries. The second category is *Type II: Cases of Cooperation in Engineering*. Chinese and Western partner companies cooperate through EPC contracting, sub-contracting, joint bidding, bidding, and other forms of engineering. The third category is *Type III: Cases of Cooperation in Investment*. Chinese and Western partner companies co-invest in beneficiary countries through M&A activities, establishment of joint ventures, shareholding, with the aim of sharing risks and benefits. The fourth category is *Type IV: Cases of Cooperation in Industry and Finance Combination*. Chinese financial institutions and their Western partners use various financing methods, such as syndicated loans, co-finance, on-lending, and equity investment, to absorb more capital, reduce financing risks. The final category is *Type V: Cases of Strategic Cooperation among Businesses*. Chinese and Western partner companies cooperate in multiple fields, including R&D, manufacturing, engineering, logistics, funding, and human resources by signing strategic cooperation agreements and establishing alliances.

This article first reviews the principles of tripartite cooperation. After summarizing the method, it provides an overview of the distribution of tripartite cooperation, including its development timeline and geographical distribution. It also compares the different approaches taken by China, Western countries, and beneficiary countries in engaging in tripartite cooperation. The conclusion summarizes the key findings of this article.

2. Literature Review

The essential characteristic of tripartite cooperation is a genuine and equal partnership among the three parties. Mutual benefit, reciprocity, knowledge-sharing, joint-learning and equality are the core of tripartite cooperation [2]. GPI [3] presented some commitments, such as shared responsibility regarding identification, design, implementation, construction, monitoring and evaluation among partners; multi-stakeholder dialogues; transparency and mutual accountability; intelligent risk-taking and evidence-based policy technology; mutually benefit from joint-learning and knowledge-sharing. The principles of tripartite cooperation at the country-level and project-level especially stress the equal partnership among three parties and shared responsibility. The core of tripartite cooperation is that two providers respect the essential interests of each other and do not impose their idea on the recipient partner, so they need to seek common grounds and lay aside the differences [4].

Tripartite cooperation has accelerated since the last decade, but it still lacks critical, detailed and empirically-based analyses [5]. In theory, tripartite cooperation can challenge the northern countries' system, exert the expertise of Southern partners and improve effectiveness [6]. In fact, there are not sufficient data to assess tripartite cooperation rigorously because its innovation and administrative demands hinder its rapid expansion [7]. It also lacks clear policy guidelines and operational procedures, so it needs a long process to initiate a project. The existing trilateral cooperation projects relied on "tailor-made" agreements, and they did not have significant progression in unified international cooperation standards of tripartite cooperation [4]. To the date of December 2020, only about thirty countries or international organisations have explicit specific guiding documents or policies for tripartite cooperation [8]. This research aims to address these limitations in research on tripartite projects, by examining why China and advanced economies are nevertheless interested in doing tripartite cooperation

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projects, how they make these projects effective in practice to overcome these limitations, and whether they successfully accomplish tripartite cooperation projects.

3. Methodology

This research systematically gathered information on all Chinese tripartite cooperation projects within the economic infrastructure sector, confirmed by the Chinese government through its official platforms such as government websites and official news reports. Subsequently, this information was organised into a comprehensive case database. Based on the information of the case database, this research illustrates and investigates the tripartite cooperation projects from general perspectives. Furthermore, the motivations of governments to participate in tripartite cooperation and their actions in the cooperative context, as well as the motivations of enterprises and their actions, are reviewed based on 68 tripartite cooperation projects from the case database.

4. Findings

4.1. The Distribution of Tripartite Cooperation Project

This research finds that the number of tripartite cooperation projects between Chinese, western, and beneficiary countries' entities from 2005 to 2022 can be categorized into three stages based on the development of tripartite cooperation. The number of tripartite cooperation projects and the estimated investment scale per project are positively correlated. If there are more tripartite cooperation projects in a year, the estimated investment scale is also larger. The first stage, from 2006 to 2013, is referred to as the beginning stage, with an average of 1.71 projects per year carried out with a total investment scale of $15,258.97 million. From 2014 to 2019, the second stage can be classified as the development stage, as the number of tripartite cooperation projects showed a significant increase, averaging 8.33 projects per year with a total estimated investment scale of USD 196,861 million. The average investment of USD 32,810.17 million per year is over 15 times larger than the infancy stage (2006-2013), which had an average investment of USD 2,179.85 million per year. The increasing trend is attributed to the Chinese government's promotion of tripartite cooperation, high-level leadership meetings, and agreements made between countries. The third stage, which ranges from 2020 to 2022, is recognized as the transition stage, comprising an average of 3.67 projects per year and a total estimated investment scale of USD 16,304.2 million. This period was expected to witness a rapid expansion of tripartite cooperation projects, with a transition from the development stage to the mature stage. Since 2019, the tripartite cooperation model has become more institutionalized and systematized. However, due to the COVID-19 pandemic, many international cooperation activities were suspended. The slow progress in the number of projects during this period suggests that the trend of tripartite cooperation has faltered. This stage had an average investment of USD 5,434.73 million per year, which is significantly lower than the investment during the development stage.

The projects are categorized by region, including Africa, Asia, Central and South America, Europe, and Oceania. The dataset reveals that Africa has the highest total investment of USD 59,730.97 million, with 32 projects, making it the most active region for tripartite cooperation. Following Africa, the Asian region has a total investment of USD 80,035 million, allocated to 15 projects. Central and South America are also significant contributors to tripartite cooperation, with a total investment of USD 26,048.2 million and 12 projects. Europe, on the other hand, has a total investment of USD 84,680 million, but only 8 projects, indicating a higher investment in individual case. Finally, Oceania has only one project, with an investment of USD 4,930 million. The data suggests that the focus of tripartite cooperation has primarily been in Africa and Asia, where the highest investments and the largest number of projects have been allocated. In the

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African region, West Africa received the highest average investment per project at USD 2644.97 million, suggesting that the region has been a major focus for investment in port infrastructure projects. The Central African region follows with an average investment per project of USD 1916.90 million. Meanwhile, South Africa has an average investment per project of USD 1501.22 million. East Africa had the lowest average investment per project at USD 1141.67 million, indicating that investment in this region is comparatively lower than in other subregions. North Africa had only one project, which received an average investment of USD 900.00 million. In the Asian region, the dataset shows that Central Asia and Southeast Asia have an average investment per project of USD 1415.00 and USD 2740.00, respectively. Southeast Asia has more tripartite cooperation projects than Central Asia, indicating a more favourable economic and investment environment in the region. West Asia has the highest average investment per project at USD 7938.13 million, primarily due to significant investments in oil-related projects. The South American region has an average investment per project of USD 2093.47 million, while the Central American region has only one project with USD 3020.00 million. Oceania also has only one project, with an investment of USD 4,930 million.

4.2. The Efforts to Cooperation: From Divergence to Convergence

This section aims to explore the efforts of China, Western countries, and beneficiary countries to better understand how they work together in tripartite cooperation projects and move towards convergence, despite initially having different aims and actions. Data on tripartite cooperation projects are collected and analysed using four dimensions to measure the actions of China, Western countries, and beneficiary countries. Dummy variables are then assigned to these four dimensions.

The first dimension is government direct financing. If the Chinese policy banks directly finance a tripartite cooperation project to ensure its financial consistency, a score of one (Yes=1) is assigned in the column of Chinese government direct financing. Otherwise, a score of zero (No=0) is assigned. The same rule applies to Western countries and Beneficiary countries.

The second dimension is high-level government leadership meetings. If a tripartite cooperation project is proposed or mentioned in high-level government leadership meetings involving China, Western countries, and/or local government, it is awarded a score of one (Yes=1). Otherwise, it is awarded a score of zero (No=0).

The third dimension is policy support. If the tripartite cooperation project receives supportive policies from relevant government departments or local ambassadors, it is awarded a score of one (Yes=1). Otherwise, it is awarded a score of zero (No=0).

The fourth dimension is state-owned enterprises. If state-owned enterprises are involved in the tripartite cooperation project as stakeholders, it is awarded a score of one (Yes=1). Otherwise, it is awarded a score of zero (No=0).

After processing the 68 projects' data, the detailed statistics are presented in the following sections. According to the description statistics, several preliminary observations can be made. The national capital and state-owned enterprise investment models play major roles when China is involved in tripartite cooperation projects, whereas Western countries, motivated by commercial interests, have fewer government-involved projects. Large firms in Western countries with advanced design, management, and supervision skills, as well as extensive experience, typically play the leading roles when western entities get involved in tripartite cooperation projects. Beneficiary countries often use preferential policies to support these projects.

Chinese and western countries' efforts: state-owned enterprises VS. private enterprises

This dataset highlights the distribution of Chinese and Western involvement in tripartite cooperation projects, demonstrating that China emphasizes the engagement of its public sector in such projects with 67 out of 68 projects (98.53%). In contrast, the involvement of Western

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public sector in tripartite cooperation projects is relatively low, with 24 out of 68 projects (35.29%).

Chinese state-owned enterprises (SOEs) play a dominant role in tripartite cooperation projects, with involvement in 66 out of 68 projects, accounting for 97.06% of the total. Chinese government direct financing is also a commonly used approach, with 33 out of 68 projects (48.53%). In contrast, the other two dimensions of involvement, high-level government officer meetings and policy support, are less frequently used. High-level government officer meetings were involved in 15 projects, or 22.06% of the total. Policy support was the least used dimension, with only 8 out of 68 projects (11.76%). The standard deviation values for each dimension suggest that the data points are relatively dispersed, with some projects having a high degree of involvement in a particular dimension while others have little involvement. The median and mode values for government direct financing, high-level government officer meetings, and policy support are 0, except for state-owned enterprises, which have median and mode values of 1.

Comparatively, the ratios of Western involvement across the four dimensions are relatively low, with the highest ratio of 20.59% (14 out of 68 projects) observed in Western government direct financing and 17.65% (12 out of 68 projects) in the Western high-level government officer meetings. Only four projects involved Western SOEs in tripartite cooperation projects, and the ratio of Western policy support was only 1.47% (1 out of 68 projects). The medium and mode of Western involvement are both 0, indicating that the most common scenario is for Western public sectors not to be involved in the tripartite cooperation projects in each of the four dimensions.

Compared to Chinese entities, Western public sector entities have less influence in tripartite cooperation projects. Instead, Western multinational enterprises with advanced technology, management skills, and extensive foreign experience typically take on leading roles in tripartite cooperation projects, with a focus on expanding commercial activities. While Western governments may provide some policy support or direct financing for such projects, their involvement is generally less prominent than the private sector.

The local public sector plays a significant role in tripartite cooperation projects, with 67 out of 68 projects involving local entities. Although both Chinese and beneficiary countries' entities have similarly high involvement, with a ratio of 98.53%, China places greater emphasis on the engagement of Chinese SOEs, while beneficiary countries tend to use local policy support as a means of contributing to tripartite cooperation projects.

This section examines the efforts made by China, Western countries, and beneficiary countries to coordinate their activities in tripartite cooperation projects. China relies heavily on national capital and SOE's investment, while Western countries tend to depend more on the participation of private sector giants in tripartite cooperation. Beneficiary countries commonly employ preferential policies to support tripartite cooperation activities. Before the initiation of a project, solid bilateral partnerships built on past cooperative experiences are essential in promoting tripartite cooperation. Through these endeavours, the parties involved work towards achieving convergence in tripartite cooperation by reconciling divergent interests and goals.

5. Conclusion

This paper provides a general overview of Chinese tripartite cooperation in economic infrastructure and presents some findings.

The first is the distribution of Chinese tripartite cooperation projects across different time phases, industrial sectors, and geographical locations. Three stages of tripartite cooperation are identified: the infancy stage (2006-2013), development stage (2014-2019), and transition stage

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(2020-2022). While Africa and Asia received the highest investments and had the largest number of projects, the average investment per project suggests that higher investments flowed into districts with favourable economic conditions, stable political environments, and effective legal systems.

The second key finding of this paper is the efforts made by China, Western countries, and local entities in tripartite cooperation. China depends on national capital and investment from state-owned enterprises in tripartite cooperation projects, while Western countries typically rely more on the participation of private sector giants. Beneficiary countries usually provide local policy support to tripartite cooperation activities. Through these efforts, participants can achieve convergence in tripartite cooperation by reconciling divergent interests and goals.

This paper provides only an overview and general facts about tripartite cooperation, and it is challenging to analyse the motivations of each party. More detailed analysis regarding "the motivations of participants to engage in tripartite cooperation" and "the efforts made to reconcile their goals and interests" can be explored in the future.

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