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# EU-China-Africa trilateral development cooperation

Common challenges and new directions

Bernt Berger / Uwe Wissenbach

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**Bernt Berger** is a Research Fellow at the Institute for Peace Research and Security Policy, Hamburg. His main research foci are EU-China relations, China's Foreign and Security Policies and China in the Regions. He is a graduate from London School of Economics as well as Hamburg University and has studied Chinese at Beijing Language and Culture University. He has been a Research Fellow at the Shanghai Institute for International Studies, Associate Researcher at the Institute for Asian Studies at GIGA and Lecturer for International Affairs, Asian and European Foreign and Security Policy at East China Normal University's School of Advanced International and Area Studies.

**Uwe Wissenbach** is coordinating the EU-China dialogue on Africa in the European Commission's Directorate-General for Development and relations with ACP states. He is a political scientist with degrees from the London School of Economics and Mainz University. He studied Chinese for managers at the Beijing Foreign Studies University and served at the European Commission's Delegation in China for 5 years. The article reflects his private views and not any official position of the EC.

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## Abbreviations

AfDB	African Development Bank
APRM	African Peer Review Mechanism
ASEAN	Association of South East Asian Nations
AU	African Union
CCP	Chinese Communist Party
CICIR	Chinese Institute of Contemporary International Relations
ECOSOC	Economic and Social Councils
EITI	Extractive Industries Transparency Initiative
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DCF	Development Cooperation Forum
DRC	Democratic Republic of the Congo
EC	European Commission
EIB	European Investment Bank
EPAs	Economic Partnership Agreements
ESDP	European Security and Defence Policy
ESS	European Security Strategy
EU	European Union
FLEGT	Action Plan on Forest Law Enforcement, Governance and Trade
FOCAC	Forum on China-Africa Cooperation
GATT	General Agreement on Trade and Tariffs
GMS	Greater Mekong Subregion
IMF	International Monetary Fund
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MOFCOM	Ministry of Commerce
NDRC	National Development and Reform Commission
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
RMB	Renminbi
ROC	Republic of China
SCO	Shanghai Cooperation Organisation
SOEs	State Owned Enterprises
UN	United Nations
UNSC	United Nations Security Council
USA	United States of America
WB	World Bank
WTO	World Trade Organization

## 1 Introduction

After China has, due to its engagement in all world-regions, become an influential international actor that needs to be taken seriously, regional policy-making by the old dominant international players can no longer be an unidirectional or bilateral matter of course. This is especially evident in relations with Africa. Rather China (among other players) needs to be engaged, consulted and involved in common agenda setting in order to make policy effective and avoid conflicting approaches. However, as much as Europeans cannot continue as they did before, China, as the new kid on the block, cannot go it alone either without risking opening another China-threat front and antagonising its paramount Western partners. If Africa allows its new consensus on good governance (African Peer Review Mechanism, APRM) and unity to be unravelled by new Chinese policy alternatives, which have so far proven attractive mostly to narrow elite and business interests, China in the future may also have to foot an increasing aid bill that traditional partners will be increasingly reluctant to shoulder if their interests are harmed. Especially with regard to developing countries, competing interests, differing concepts in development cooperation and complex development needs on the ground increasingly produce policy choices which are proving more far-reaching than the inward-looking aid policy debates of the past. Development policy has become a strategic question, and not only in the sense of the European Security Strategy (ESS) of 2003 which brought it into the European Union's (EU) toolbox to enhance Europe's global security interests<sup>1</sup>. However, what is most important is that resolving North-South differences cannot proceed without allowing developing countries an equal voice; likewise on the African continent. Generally speaking, beyond the task of pragmatic rapprochement and cooperation, the challenge is to combine national diplomatic and commercial interests with the shared and global needs for sustainable development and good governance standards.

In the past the EU-China Strategic Partnership focused on bilateral economic cooperation, trade relations and issues on a dialogue agenda that can be summarised as supportive to China's own social and economic development. Cooperation in security affairs and global governance has continuously been re-emphasised but has not yielded fruit or a pragmatic agenda yet. Since discontent over the Chinese Africa policy has been rising and policies of both players are more or less in the line of fire in terms of effectiveness of their aid and because of suspicions about their ulterior motives, African issues are forcing themselves onto the EU-China agenda. Consequently, both China and the EU are confronted with the necessity of widening the scope of their cooperation on global challenges beyond statements of intention. So far the pressure has mainly been felt by the Europeans, who increasingly have seen their regional and local policies strategically and effectively undermined by China's increasing influence. To some extent this pressure is due to the perception by China, that the EU ultimately pursues similar commercial and resource interests to its own. China does not sufficiently recognise that the EU increasingly considers Africa's development as a multi-dimensional global challenge. China has come under international pressure and is facing local

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1 In this study we consider the EU as a single actor in Africa, based on the European frameworks such as the European Security Strategy and the EU's Africa strategy endorsed by the Heads of State and Government of the EU Member States. Of course, these papers alone don't make the EU a single actor. However, there is a common framework in place that serves as reference for both policy and analysis. Although individual member-states have their own Africa policies, others interest in Africa is limited and they prefer the EU framework as a natural conduit of their foreign policy in the region. In the same vein when we talk about Africa, we are simplifying, given the diversity of the continent and Africa's so far still early stages of integration.

criticism too. Thus, Beijing has not only taken the first steps to review its policy agenda but has also carefully started to rethink its stance towards non-interference and intervention towards a less blunt approach. Moreover, the willingness to actively extend the partnership on the EU-China political agenda to African issues has slowly been rising.

The challenges in the field of development cooperation are to:

- find common approaches and concepts which do not only serve narrow and short-term national interests;
- harmonise implementation strategies, developing common intent;
- define practical initiatives, while not harming respective interests and maintaining a competitive economic environment;
- organise the so-called triangular-cooperation (Altenburg / Weikert 2006) or even a strategic forum between the EU, China and Africa/African regional organisations including consultation, dialogue and common initiatives. The goal is to act in concert when creating locally owned solutions to development on global, regional, national and local levels.

In view of the pressing issues on the development agenda, the differences of approach causing mistrust and discontent and the differences to tackle at forthcoming meetings, this paper addresses crucial points for the definition of a coming agenda. The review of recent changes of perceptions and awareness of problems yields insights and starting-points for cooperation. At the same time it shows limitations and possibilities for both sides to start with in forthcoming dialogues. This paper outlines fields of cooperation, individual and common challenges, possible points of departure and cooperative policy directions in making engagement more effective in terms of African development. The improvement of cooperation in Africa is especially important because it is part of setting up a credible cornerstone for the EU-China Strategic Partnership in global affairs. If cooperation on Africa does not succeed, it may signal that cooperation on global challenges more generally will become more difficult, while positive cooperation may spill over to other policy fields. Thus cooperation on Africa will be seen as a litmus test for the EU and China as strategic global partners.

**Box 1: China in Africa at a glance**

**China in Africa at a glance:**

China's trade with Africa reached USD 55.5 billion in 2006 (after 40 bn in 2005) making China Africa's third biggest trading partner. Imports of oil and raw materials are the most important trade components. According to Chinese sources:

- Up to 2006 800 Chinese companies have invested USD 1 billion, 480 joint ventures have been established and 78 000 Chinese workers employed
- China imports 32% of its oil from Africa, oil related investments in recent years amount to at least 16 bn USD
- China has cancelled nearly USD 1.3 billion in debt owed by 31 African countries, abolished tariffs on 190 kinds of goods from 29 least developed countries in Africa and promised to do so for more than 400 goods; China's development assistance is set to increase substantially. Since 1956, China has completed some 900 projects of economic and social development in Africa, provided scholarships for 18,000 students from 50 African countries to study in China and it sent 16,000 medical personnel who have treated more than 240 million patients in 47 African countries.
- Up to now, there are over 3,000 Chinese forces participating in the UN peacekeeping in Africa

## 2 Pathways towards a new debate

After China's engagement in Africa was met with a certain degree of suspicion in EU circles, gradually changing mutual perceptions and evolving insights into new challenges gave way to changing ideas about cooperative approaches in tackling African development in the future. Today the perception that bilateral EU-China if not trilateral (including Africans) dialogue and cooperation are inevitable is gaining ground. However, the path towards rapprochement continuously involves several twists on all three sides.

The attitude towards China's rapidly growing engagement on the African continent has been changing from criticism mixed with marvel and helpless reaction towards cooperative pragmatism. However, among policy-makers, journalists and academics across the Atlantic the path towards a new debate was paved by gloomy criticism and deep suspicion highlighting the negative aspects and consequences of an increasing Chinese involvement in the continent's affairs (see box 2).

### **Box 2: Critical news coverage of China's emergence in global politics**

Critical items of apocalyptic news stories and some political comments on the rise of China in the media were: China's unethical and string-free support for 'rogue' or 'pariah' states such as Sudan and Zimbabwe, which finally served as a peg to stigmatise the 2008 Beijing Olympic Games as the so-called 'Genocide Olympics'; China's unconditional aid and opaque loans that are said to undermine European and multilateral efforts to persuade African governments to increase their transparency, public accountability and financial management (governance agenda);

China has been accused of 'free-riding' Western debt relief efforts and undermining individual country's external debt sustainability and disregarding the multilateral framework for debt sustainability;

Economic and strategic competition with China especially where both sides try to secure energy supplies;

China's self-interested strategies in dealing with developing countries, trying to assert influence and using its soft power in order to support its own development without any coordination with Western countries, often even aggressively confronting them;

China's neglect of environmental and social standards;

Aid tied to Chinese companies and labour; Marginalisation of African producers in domestic and overseas markets (in particular the textile industry)

The negative views in Europe and the United States of America (USA) gave way to more differentiated views after studies highlighted the positive effects for economic growth in African states (Broadman 2006; Goldstein et al. 2006). A small number of politicians (Michel 2007) expressly welcomed China's efforts in supporting African development.

In Africa the debate has obviously been a different one. China's engagement has so far been perceived as a welcome alternative to Western 'white man's burden'-policies.

- African leaders have indulged in new found strength to confront Western hypocrisy and double standards<sup>2</sup>

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2 Including pointing to strong European links with China despite the EU insistence on human rights, democracy etc. Based on an interview with a former African Head of State in July 2007.

- On the continent the debate has focused on the question whether or not Africa can benefit from Chinese engagement no matter what China's intentions might be.
- Observers question African leaders' visible preference for relations with China and whether such a tendency is in the interest of African societies' wider interests or possibly helps to strengthen the political elite's grip on power and is conducive to corruption.
- The question was raised whether African societies can benefit from Chinese engagement in view of an influx of competitive actors (textile industry, workers, small traders).

Since 2006 China's Africa policy has become a critical issue on the agenda of China-EU political dialogue<sup>3</sup> as well as an item in the G8 framework. The central issue on the EU and G8 development agendas is how to achieve good governance in African states in order to sustain developmental achievements and progress towards poverty reduction.

For the relation between the EU and China the way African development is being dealt with has a number of consequences. On the one hand, China's interest-guided strategies are said to undermine initiatives to support sustainability (Pang 2007). On the other hand, common challenges and interests exist in fields such as poverty-reduction and in achieving the MDGs, sustainable development in various sectors, aid effectiveness and local ownership. The latter includes the promotion of African responsibility in solving African problems and capacity-building in the fields such as crisis prevention and management (Umbach 2007).

Today China has become a factor and accelerator in European considerations about re-orienting the EU-Africa Partnership. Particularly possibilities and effects of its commercially driven and politically high-level partnership with Africa have catalysed rethinking in Europe. The traditional donor-recipient relationship will be transformed into a new kind of partnership. This new kind of partnership is designed to respond to common global and regional challenges and no longer focuses on a unidirectional – primarily charity-based – approach to development cooperation.

China did not prompt this development but gave it new impetus. Rather, the demands of a new generation of African leaders to take Africa's destiny into African hands in concert with outspoken African critics of aid dependency (Shikwati 2005; Iweala 2007) were the reason for a profound change of mutual perceptions in Africa, China and Europe. This change also involved the insights that globalisation and the new possibilities for developing countries in transition (such as China, India and Brazil) as emerging powers of the post-Cold War world would need to be dealt with in a cooperative way. Generally, global agendas do not yet reflect the new international role of developing countries and the reinterpretation of political development beyond traditional and ideological ideas after the Cold War. An increasing potential for South-South trade, investment and cooperation has evolved (even though this is still dwarfed by the massive trade China and other emerging economies conduct with the industrialised world). Yet, besides the economic potential since the end of the Cold War, non-

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3 The issue was first raised by the European Commission in its 2006 policy paper on China (European Commission 2006) after initial talks in 2005 and at the 9<sup>th</sup> EU-China Summit. On 15 June 2007 the first meeting between the EU and China's Africa Directors took place in Beijing to follow up on the summit statement.

traditional security threats originating in Africa have strong repercussions on the interests of African countries, the EU, but also increasingly China. These include failing states and conflict, calling for direct international involvement in peacekeeping and reconstruction, but also migration, international crime and narcotics traffic which has started to spread even into China. There is also fear about new breeding grounds for terrorism. In this context, the reviews of strategic orientations among the EU's key actors, including the 2003 ESS, were geared towards taking up the role of an off-territorial global security actor beyond its immediate neighbourhood (Howorth 2007). However, this renewed focus on Africa was not accompanied by a substantial increase in the continent's economic significance for the EU, although a coming diversification strategy for energy supplies might change this matter. Thus, the EU's hierarchy of priorities clearly differs from China's with resources and economic interests lower on the list.

Africa has also become an issue for the EU's global policy on climate change. In fact, the question will be whether African countries will simply use their nuisance value to compound a collective action dilemma in the interest of an ill-understood South-South solidarity in the post-Kyoto negotiations, or whether they will adopt strategies that take their interests properly into account. Indeed African countries stand to suffer most from the consequences of climate change and will benefit most from emissions reductions plus aid to finance adaptation. Yet, emissions will only effectively be reduced if all emitters, whether the traditional polluters USA, the EU and Japan or the new ones like China and India do reduce emissions. South-South solidarity may end up in a lose-lose game for Africa if they help let emission reductions agreements fail and aid is withheld because of their reluctance to engage on a positive agenda to combat climate change, such as that proposed by the EU.

Finally, whether Africa will also prioritise democracy, human rights and good governance not only within Africa or in relations with the EU, but also in its relations with China or in the United Nations (UN) framework remains to be seen. These issues may become a litmus test for the AU agenda and the APRM principles it has promoted. Thus, there are both South-South potentials and South-South dividing lines which African countries (and China) will need to devise strategies for. Such strategies will only be viable if they are not framed in 'scramble for resources' or confrontational terms between historic global camps (North-South, West-China).

Besides Africa's importance for China's own developmental interests, the African continent has become a major strategic interest in Beijing's efforts to become a (peacefully rising) global power. During the last decade China used its economic clout for good-will initiatives and building multilateral networks in its Asian neighbourhoods (with the Association of South East Asian Nations (ASEAN), the Shanghai Cooperation Organisation (SCO), in the Greater Mekong Subregion (GMS). Today China is making similar efforts in the so-called „far abroad“ and soft-belly of global politics: the neglected developing countries in Africa (as well as Latin America and the Pacific). A developing country itself, China has politically and diplomatically assured the countries of the South of its friendship, solidarity and shared interests. Beijing is willing to defend these interests in the United Nations Security Council (UNSC) and other global fora (if in line with its own), while supporting less developed countries'

economies by means of commercial cooperation and aiming at creating win-win situations, which are also beneficial for its own growth.

In 2006 the EU Commission concluded that sharing common global responsibilities necessitates effective and issue-based cooperation with China in order to be able to organise and shape international affairs and global governance in the future. For the first time, the Commission's China Strategy Paper highlighted the need to jointly address global challenges, including climate change, development policy and Africa (European Commission 2006). At the 9<sup>th</sup> EU-China summit China somewhat hesitantly agreed to a dialogue on peace, stability and sustainable development in Africa (Council of the European Union 2006). The fact that the topic was accepted at the summit can be regarded as a very first step towards a larger dialogue-framework and a sign that both sides acknowledge that common issues exist. At the same time, the parties emphasised their differing approaches to international affairs on both sides: the preference for the non-interference principle (see box 3) versus the promotion of good governance. Hence, while it is still necessary to critically point out the divergences and shortcomings of Africa policies on both sides, the challenge ahead is how to harmonise policy-goals and implementation-strategies in aid and investment and how to mainstream initiatives at the regional level (Berger 2006).

**Box 3: China's principles of non-interference**

During a trip to Africa in 1963/4, then Chinese Prime Minister Zhou En Lai formulated the five principles for engagement with African and Arab countries, which still guide China's Africa policy:

1. China supports the Arab and African peoples in their struggle to oppose imperialism and old and new colonialism and to win and safeguard national independence;
2. It supports the pursuance of a policy of peace, neutrality and non-alignment by the Governments of Arab and African countries;
3. It supports the desire of the Arab and African peoples to achieve unity and solidarity in the manner of their own choice;
4. It supports the Arab and African countries in their efforts to settle their disputes through peaceful consultations;
5. It holds that the sovereignty of the Arab and African countries should be respected by all other countries and that encroachment and interference from any quarter should be opposed.

Generally speaking, today the failure or success of China and the EU in cooperating on African development can be regarded not only as a soft test-case for the EU-China strategic partnership. In fact, the European Commission (EC) is trying to develop the dialogue into a trilateral relationship<sup>4</sup>, in order to be consistent with its quest for effective multilateralism and the re-orientation of its Africa policy based on partnership. Thus, the triangular relationship will to some extent determine Africa's position in the world. The simple, realist choice for Africans would be to play one partner off against the other – which is happening in some cases already. But this position will do little to enlarge the policy space for Africans in the long-term. Africans will need to ensure that they do not lose the support of the EU by focusing on short-term benefits from an „untested“ partner which itself has a paramount interest not to

4 For a critical appraisal of this approach cf. Holslag (2007).

upset its relations with the EU<sup>5</sup>. Africa will have to develop an effective negotiation capacity vis-à-vis China and avoid compromising its unity in global affairs. The risks of internal division lie in areas such as

- fundamental values between those countries (and society groups) which promote them and others who rely on China's non-interference doctrine to undermine them
- economic conflicts between those who gain and those who lose from the China-fuelled commodity boom
- those who pursue internationally coordinated development policies and those who sell out resources for the short-term gain of small elites.

The advantages of a trilateral approach, if steered by Africans, would lie in exploiting the synergies and complementarity of the EU's and China's Africa policies. EU-China antagonism around African issues would be detrimental first and foremost to Africa's long-term interest.

The positions on how African development shall proceed differ, yet changes based on new insights have taken place. Generally speaking, the realisation that things no longer work as they used to or as expected has prompted policymakers to review their priorities and choices. It is not possible for either the EU or China to define a partnership with the African continent, while insisting on a 'monopoly of legitimacy' for their own approach. Neither will China suspend its economic approach to South-South cooperation with Africa for the sake of 'Western' development concepts and principles that have only evolved after a long history of domination (Berger 2007). However, the Chinese government is confronted with a growing number of unintended side-effects of its African safari. Many African leaders seem reluctant to sacrifice long-term progress in democratisation, human rights, rule of law and good governance (key goals of the AU Constitutional Act, the "New Partnership for Africa's Development" (NEPAD) declaration on democracy, rule of law and good governance and the African Peer Review Mechanism (APRM)) to the short-term advantages coming with China's Africa policy based on dated Third World principles. The EU will not abandon its conviction that its values and concepts are decisive in achieving sustainable development (European Consensus 2005), but it is developing new strategies to promote them in a more balanced partnership with Africa. In fact, all three players are in the process of building their „global position as actors" in one way or the other and in doing so they are mutually dependent although they do not like to admit that. This circumstance becomes apparent in the need for bilateral processes (EU-China, China-Africa, EU-Africa) that might well evolve into trilateral mechanisms. The somewhat uneasy outreach of the G8 to a group of five developing countries in the Heiligen-

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5 An article on "Zimbabwe's balancing act between China and the EU" in the South African Mail and Guardian of 19/10/2007 illustrates this point, Tonderai Kwidini writes: "*The country's Deputy Minister of Industry and International Trade, Pheneas Chihota, recently made a startling admission when he said that the European Union, which imposed targeted sanctions against the Zimbabwean political elite over its blighted human rights record, remains the troubled Southern African country's key trade partner [...]. The government even went a step further, launching the 'Look East' policy that was designed to find new markets for the country's products. But this move is yet to bear fruit, as a former Zimbabwean ambassador to China, Chris Mutsvangwa, has admitted. He said that 'local business people are reluctant to partner Chinese business'. Chihota's candid comment was seen as an admission by the government that the 'Look East Policy', derisively dismissed by Zimbabweans, has failed to contribute any meaningful development to Zimbabwe's crumbling economy. The government has seemingly realised that the EU remains a crucial market for Zimbabwean products.*"

damm process plus some outreach sessions with a wider group is another indicator for that search for a new order in international relations.

The challenge ahead is to build on the positive effects of the EU's and China's engagement and use their willingness to cooperate on the basis of their similar objectives for growth and development in Africa in order to ultimately construct a common set of concepts (see box 4).

**Box 4: Questions around a common set of concepts**

When aiming at establishing a common set of principles, the following questions will have to be asked are:

- How are Africa policies implemented on both sides and what might be their immediate advantages and shortcomings?
- What are the challenges ahead for China and the EU in Africa and how do Africans position themselves in the long term?
- What are the instruments and mechanisms to deal with upcoming challenges and how can common or complementary practices be coordinated?
- How to set up triangular mechanisms for sharing experiences and good practices ?

The key challenges for EU-China-Africa relations are thus threefold: One is to what extent the EU and China can cooperate in Africa as part of a strategic partnership given their apparently contradictory positions on development (Kurlantzick 2007) (conditional versus no strings attached; aid versus South-South economic cooperation; complex development theory versus projects or loans on demand; promoting Western values and interdependence versus non-alignment principles, independence and sovereignty. These different points of departure will also determine their ability to jointly address global challenges beyond bilateral issues.

The second key challenge is whether Africa can manage its multiple partnerships in such a way that it becomes an (increasingly integrated) actor in international relations, which can realise its objectives, rather than remaining an object of great power agendas. Such pro-activity would also help to reverse the post-Cold War trend towards disengagement from Africa. This is particularly important because Africa might realistically become a playground and a test-case for the great powers' own agendas of establishing their international positions in a global world and getting access to coveted resources.<sup>6</sup> Such a situation would de facto not be very different from the Cold War period and stifle development options: Africa's interests are not automatically best served by other developing countries despite the South-South rhetoric, neither are they best served by overly relying on the Europeans alone. The challenge is not so much an issue of aid volumes or conditions. Rather Africa risks becoming once again an area for superpower confrontation for instance between the USA trying to stall China's rise, pursuing its energy security and projecting hard power to achieve its national agenda and China's countermoves without caring much about sustainable development strategies in Africa. The EU is more likely to be a benign partner – in line with the ESS ambitions to enhance

6 For instance the EU has also tried to prove its own capacity to manage crises far away from Europe by sending European Security and Defence Policy (ESDP) missions into Democratic Republic of the Congo (DRC). For many Chinese companies Africa is but a stepping stone in their strategy for going global.

both the EU's security and promoting „a better world“ and the strong emphasis on development, given that the EU provides more than half of global official development assistance (ODA). In terms of economic globalisation, Africa's resources and to some extent its growth potential are becoming a prize for external competitors. African countries need to ensure that such competition allows them to build up their own diversified economies and that they do not remain suppliers of raw materials to a small number of clients. Market regulation, trade facilitation, the rule of law and improving the skills base will be key elements here. How much support China will lend to such an endeavour will also be a litmus test for China's Africa policy, as since Bandung the focus of South-South cooperation has been to end an economic model based on exports of raw materials and cheap labour that is characteristic of the colonial model.

The images of the EU and China are at stake in Africa as their initiatives might be perceived as a new ‘condominium’ instead of as the beneficial policies which both are trying to promote. At the same time any single-handed attempt by China and Europe to cooperate on their African agenda while putting their differences aside and pursuing common interests would be a right step in the wrong direction. The reason is that any undertaking that excludes African states may reinforce Africa's international passivity. For this reason it is regrettable that so far African countries and the African Union (AU) have shown little inclination to take up the EU's offer of a trilateral approach.

Thirdly, for China it is important to carefully consider the expectations of other actors. On the one hand, it is a strategic necessity to handle economic and trade relations with developing countries correctly because it can neither risk isolation from them nor the goodwill of its resource suppliers (Yuan 2007, 12; Similarly, but more critically: Alves and Draper 2007, 24) On the other hand, China needs to avoid policy-collisions on critical issues with the US and Europe in its approach to Africa and prove that its rise as an influential global power is indeed a peaceful one and accompanied by responsible international action. Good cooperation with the EU and African countries could offer China an “insurance policy” against eventual containment policies by the USA.

### **3 China's and Europe's Engagement in Africa**

Europeans and Chinese have in common the problem of combining their commercial and political interests with the short- and long-term developmental needs of the African continent. Their individual approaches, the challenges of replacing old practices and dealing with own shortcomings in engagement with Africa all impact upon managing viable cooperation.

#### **3.1 Europe's new Africa policy**

For Europe several challenges are on the agenda. Fundamentally the historic baggage of the post-colonial period including the machinations of their (formerly) state owned enterprises (SOEs) and nationally backed enterprises (Yates 2006) as well as certain misconceptions in external development (ranging from the lack of local ownership-support to uncoordinated aid

and the ideas of the international liberal mainstream about political transformation) are a challenge to the credibility of current initiatives. At the same time the stalled efforts of the Doha Development Round in eliminating agricultural subsidies still have an impact on African development – particularly on the sustainability and autonomy of local economies. However, in principle the EU, not least driven by the EC to mainstream and integrate development and Africa policies in the EU, has refocused its efforts on locally-owned solutions at continental, regional and national level. Additionally it has launched an initiative of making its aid more effective as it was recommended by the international donor community (OECD/DAC 2007). Generally speaking the EC has conceptually shifted away from conditional aid towards the provision of political and financial incentives – amounting to a total of about €3 Billion from 2008 – 2013 - towards individual states to meet standards of good governance. This approach is an attempt to find a middle way between unconditional support (as was the case among former colonial powers during the Cold War who reciprocally sought strategic benefits) and the overly prescriptive Washington Consensus. This position is not merely an expression of humanitarianism either (Belloni 2007).

In the trade field the transitional preferential trade arrangements in the Cotonou agreement<sup>7</sup> under a waiver in Art. XXIV of the General Agreement on Trade and Tariffs (GATT) are being replaced by the regional Economic Partnership Agreements (EPAs)<sup>8</sup>. EC-ACP trade relations will thus become compatible with World Trade Organization (WTO) rules under pressure from other developing countries which felt harmed by the special arrangements for the ACP. The EPAs were already agreed in principle in the Cotonou agreement. They are conceived to be reciprocal, but asymmetrical, i.e. the EC gives market access for the ACP while the latter benefit from long transition periods for their reciprocal opening. In addition the EC has promised massive aid for trade (€2 Billion per annum) to compensate for adjustment costs. At the same time the regional concept is meant to help the countries participating in the regional agreements to diversify their economies by enhancing trade with each other. Thus they are a final attempt to replace existing preferential trade agreements, from which African countries, contrary to many Asian and Latin American competitors have not been able to benefit. The EPAs have come under fire from different quarters, usually in combination with fortress Europe arguments regarding agricultural protectionism, but no viable and WTO compatible alternatives have been proposed. A number of countries who already benefit from the EC's „Everything but arms“ legislation, i.e. duty free access for the Least Developed Countries (LDCs) to the EC, have not been particularly interested in the EPA negotiations and the degree of enthusiasm for regional integration under the EPAs is not the same in all six regions. In fact, the EPAs could also provide a better framework for China's trade with Africa, if the regional integration aspects materialise.

Clearly, in the last few years EU-Africa relations have embarked on a trajectory of profound change and re-definition:

- emergence of the AU as a security actor in Africa and a balanced partnership between the EU and AU in this domain

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<sup>7</sup> Concluded in 2000 between the EC and the ACP (Africa, Caribbean, Pacific) countries.

<sup>8</sup> The changing trade environment is analysed in its many facets by Defraigne (2007).

- conception of an EU framework for the European countries' Africa policy which to some extent reins in the uncoordinated policies of individual member states and integrates the new member states with their limited exposure to African issues
- “normalisation“ of trade arrangements in the sense of eroding preferences which were in violation of WTO rules
- a reflection on the interests the EU has in Africa
- a more coordinated, European approach to aid and its effectiveness.

### 3.2 China's changing approach towards Africa

After the Cold War China has shifted away from ideology-based development-support towards commercial approaches – a move that has due to a lacking political and ethical agenda encountered concern about neo-mercantilism or neo-colonialism. However, China has provided external market opportunities for African economies. In doing so it has—at least to some extent—helped to provide the preconditions for African nations to establish self-sustaining economies (Broadman 2006, Goldstein et al. 2006; AUC 2006).<sup>9</sup> China's trade, investment and massive capital exports (though they are often provided in kind not in cash) sent a welcome message of opportunity and hope to African countries. South-South cooperation has become a viable feature of globalisation where Africans are treated as equal business partners and not belittled in their self-esteem as recipients of charitable donations from the industrialised world.

Generally speaking, the advances of China's engagement on the African continent, which were reinvigorated after the 1996 Africa tour of then President and Chinese Communist Party (CCP) Secretary General Jiang Zemin and manifested with the inauguration of the Forum on China-Africa Cooperation (FOCAC) in 2000, are based on several strategic and tactical considerations. Whereas China's basic goal remains the material support of its own industrial development and the enhancement of its global position, it has also tried to avert suspicion of singular interests (and more recently neo-colonialism or neo-mercantilism) with a broadly laid-out diplomatic agenda for global and domestic public consumption. This agenda aims at the African continent as a whole (FOCAC)<sup>10</sup> and comprises a specific model of engagement for each particular country (see box 5).

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9 Although absolute trade figures for Africa are growing, the EU's share is now declining while China's is rising faster than the average. One reason might be that African states have started to diversify their imports. Today a great number of imports neither come from the EU, US nor China, but from the rest of the world. However, the EU's export numbers in African trade are still higher than China and the volume has been rising since 2001. Nevertheless, Africa's share in the EU's and China's foreign trade is marginal while the EU, and for many countries increasingly China, are considered as key markets for exports.

10 China has – in addition to its preference for bilateral relations – strategically supported multilateral initiatives as a means of political engagement or influence. This includes its stakeholdership in the African Development Bank (AfDB) as well as its modest support to NEPAD and the AU.

**Box 5: President Hu's 8 pledges to Africa at the FOCAC****President Hu's 8 pledges to Africa at the FOCAC:**

To forge a new type of China-Africa strategic partnership and strengthen our cooperation in more areas and at a higher level, the Chinese Government will take the following eight steps:

1. Double its 2006 assistance to Africa by 2009.
2. Provide US\$3 billion of preferential loans and US\$2 billion of preferential buyer's credits to Africa in the next three years.
3. Set up a China-Africa development fund that will reach US\$5 billion to encourage Chinese companies to invest in Africa and provide support to them.
4. Build a conference center for the African Union to support African countries in their efforts to strengthen themselves through unity and support the process of African integration.
5. Cancel debt in the form of all the interest-free government loans that matured at the end of 2005 owed by the heavily indebted poor countries and the least developed countries in Africa that have diplomatic relations with China.
6. Further open up China's market to Africa by increasing from 190 to over 440 the number of items exported from the least developed countries in Africa having diplomatic ties with China receiving zero-tariff treatment.
7. Establish three to five trade and economic cooperation zones in Africa in the next three years.
8. Over the next three years, train 15,000 African professionals; send 100 senior agricultural experts to Africa; set up 10 special agricultural technology demonstration centers in Africa; build 30 hospitals in Africa and provide RMB 300 million (ca. 30 MEUR) of grants for providing artemisinin and building 30 malaria prevention and treatment centers to fight malaria in Africa; dispatch 300 youth volunteers to Africa; build 100 rural schools in Africa; and increase the number of Chinese government scholarships to African students from the current 2000 per year to 4000 per year by 2009.

The idea of singular interest by China was countered with the rhetoric of mutual benefit<sup>11</sup>, while an alleged development policy in Africa was propped up with a traditional solidarity agenda and a policy-outline highlighting common and peaceful development. According to the Chinese White Paper on Africa published in January 2006, African countries shall partake in and benefit from China's development. The way into Africa was based on economic cooperation and business accompanied by a revamp of China's traditional soft power approach on the continent.<sup>12</sup> China has displayed a high degree of pragmatism, but also capacity to learn and adapt.<sup>13</sup>

11 Li Anshan (2007) describes aid being donated ('gratis') by China as part of a win-win strategy.

12 Godement (2006) describes a revamp of public diplomacy with the full use of modern media and communication. However, over the years qualitative and quantitative changes have taken place.

13 Various general and country studies have outlined the instruments, such as Alden (2006), Fues et al. (2006), Le Pere (2007) and others. Fandrych (2007) describes how cooperation with Angola is based on a package of preferential credits, investment, trade, technical support and development of infra-structure. Grión (2007) gives a detailed account of the China-Angola relationship including its risks, and also points out that the political relations have been complex in the past, as China had initially backed the opposition to the current regime during the civil war. Ali (2007) gives a detailed overview of the political economy underpinning Sudan-China relations, which by many critics are reduced to the Dafur issue. In Ethiopia Chinese companies (*Zhongguo Lu Qiao Gongcheng Youxian Zeren Gongsi – CRBC*) are even said to be contractors in EU funded Road projects. For a detailed analysis of Chinese activity in the infra-structure sector see CCS (2006).

China has been mobilising economic resources for both economic and non-economic purposes. China assumes that usual business combined with a developmental South-South rhetoric, modest development assistance and a putatively win-win based cooperation with the governments in place will be more than sufficient to access the neglected continent. It therefore does not involve local political considerations and long-term implications for state-society relations and social conditions inside countries in its access-strategies. The combination of economic incentives with diplomacy has been very successful in the short-term, but there are signs that China has to prepare for more difficult times ahead. So far, China has contented itself with maintaining good relations with all kinds of governments (provided they submit to the one-China policy), no matter what kind of domestic and international standing they might enjoy. With it, Beijing ignored the possibility that such an unconcerned stance may draw criticism, which would turn out to be damaging to China's long-term interests. Especially, international and local criticism came unexpectedly and does neither fit into China's self-image as a soft power<sup>14</sup>, nor to the declared equal partnership with African states.

For China, the unquestioning recognition of the One-China-Principle is a *sine qua non* for close partnerships, aid and loans. The fact that China has to a great extent—yet not rigorously—avoided partnerships with countries that recognise the Republic of China (ROC) has in some places overshadowed relations with African countries. The reason is that this division of states has done harm to integration efforts on the continent because China will for the time being insist on continuing FOCAC instead of establishing a full China-AU partnership. Ironically, China moves in the opposite direction to the EU which seems to privilege the AU over its own creation the ACP (Africa, Caribbean, Pacific) institutions.

China's external development policy is closely linked with its own development path. In view of different international needs and conditions as well as discontent even in Africa itself, today China has slowly been forced to rethink its concepts and strategies (see box 6).

There are mainly four reasons for China's current predicament in Africa: Firstly, China has not yet defined a comprehensive development policy. Instead so far any initiative was first and foremost informed by its own development approaches and (former) Third World principles, which prioritised the needs and sovereignty of states as well as economic growth. Chinese aid tends to take the form of projects on demand from partner governments. However, Beijing ignored the possible outcomes of indirect interference in social affairs through trade and commercial interaction and lacks contemporary concepts about aid-coordination, participatory approaches, sector-wide approaches and concepts of political development including practical concepts of supporting good governance. Instead – and quite ironically – a neo-liberal 'one-size-fits-all economic model'<sup>15</sup> dominates cooperation. With regard to poverty alleviation, China's aid has been distributed on an *ad hoc* basis. Development support lacks project management and evaluation frameworks in support of comprehensive, participatory and sustainable development. In view of such "strategic improvisation", existing projects run the risks of serving elite interests only, nurturing corruption and alienating politically impor-

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14 For a critical assessment of China's soft power Godement (2006).

15 For a summary of the conceptual development see: Leftwich (2005).

**Box 6: China as a benevolent or malicious actor in Africa?**

In many opinion pieces on China's increasing engagement on the African continent, its image as a determined, geostrategic and sometimes heedless actor that is achieving its interests—while sermonizing outdated principles—has taken shape in parts of the media as well as in academic and political circles.

However, thus far China's engagement in Africa has in practice been less systematic and effective than one might assume. China has to deal more with the shortcomings and unintended consequences of its engagement. These outcomes are less a result of malicious intentions than of lacking expertise and indifference towards possible political and social consequences of its actions. China's approach of serving its own industrial development needs while holding up the idea of mutual benefit as the core of its development policy was a success as long as it did not attract any international public attention.

When criticism arose not only from European and American commentators but also among African states and opposition groups and civil society, Chinese strategists were by and large caught by surprise. Some reacted with aggressive defence lines, like the governor of China EXIM Bank, most others tried to point to inevitable tensions at the margins while the core policies were not questioned. Like many domestic policies, the foreign policy situation highlights how ineffective political structures based on vertical reporting lines are in tackling complex situations which require horizontal coordination.

The knowledge base on African (development) issues in China is very limited and China has reacted by investing more in analytical and policy formulation capacities, such as the expansion of existing or the creation of new Africa departments in think tanks and universities.

tant social forces in African states or to simply fail because they are not embedded in a country strategy. Thus, China is de-facto unintentionally breaking with the non-interference principle.

Secondly, the failure to consider the direct and indirect political implications of aid and investment strategies has led to international concern which was, in fact, initially not about the strategic consequences on resource and energy-markets. Rather the concern was that China's engagement was undermining development strategies, protection of human rights and good governance support. Beijing tends to dismiss international criticism as an attempt to preserve post-colonial influence. But local civil society, rebel or rival groups, parliamentary and non-parliamentary opposition started to claim that China's aid policies, financial and other support helped ineffective regimes with low public legitimacy to entrench themselves in power (e.g. in Zambia, where an opposition candidate used polemics against China in his election campaign and could build on a noticeable level of disaffection towards Chinese business in his country). This kind of local criticism is more difficult for Chinese policy-makers to acknowledge and address, especially if it is echoed by influential African leaders such as South African President Mbeki<sup>16</sup>. This reaction will drive the political and financial cost of China's engagement in Africa higher.

Thirdly China's political institutions lack adequate differentiation and resources. Its external development strategy is not implemented by a ministry with political preferences. Instead, the Ministry of Commerce (MOFCOM) has assumed primary responsibility for external development policies, which in return are determined by its commercial preferences. There is a growing risk of the "departmentalisation of China's national interest". Additionally the indi-

16 In a speech in December 2006 to university students Mbeki warned against neo-colonialism. See also his comments in an interview to the Financial Times, transcript published by allAfrica.com posted on the web on 12 April 2007.

vidual enterprises (private or state owned), such as oil or construction companies in combination with Chinese banks, which are not directly controlled by MOFCOM are pushing a trade-friendly agenda and necessary infra-structure projects. This has led to tactical failures. For instance hard-nosed business may conflict with political messages of friendship or mutual benefit and people centred partnership.<sup>17</sup>

Finally, in China the traditional neo-realist view that political international relations and international trade are a zero-sum game is still commonplace among scholars and policy-makers alike.<sup>18</sup> Whereas economic reciprocation leads to win-win situations among nations, political relations lead to compromises and the assertion of national interests of only a few powerful actors.<sup>19</sup>

### 3.3 Africa's response to the EU-China dialogue on Africa

Whereas both the EU and China need to come to terms with their respective policy failures in Africa, they also need to accommodate the tensions arising in the EU-China Strategic Partnership. Their new Africa policies therefore need to take into account shared and competing interests, the realities of globalisation and the needs of sustainable development in Africa. This, however, also requires that the common African agenda is based on primary responsibility for development itself in African hands.

The EU-China dialogue serves foremost to build trust and to define the issues at stake on both sides more clearly. An identification of common objectives and viable results might be achieved as long as either side's fundamental interests are not questioned. So far African influence on this dialogue remains a weak point. African leaders have not actively sought to become involved. Such "malign neglect" may not be viable in the long term, however. African leaders and civil society have long called for a national responsibility of African states for their peoples' development. Part of this responsibility is to take a stance on African issues which are debated between external partners. African governments need to manage (potentially) conflicting external and internal expectations. If African countries fail yet again to seize external opportunities for development, that failure may become a convenient excuse for further Western disengagement and international marginalisation of the continent. The primary responsibilities for most African countries are security and stability, good governance and the rule of law, economic growth and reaching the Millennium Development Goals (MDGs). At the same time, if the EU and China cooperate more closely, the complementarity

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17 See Bates Reilly (2007); Altenburg Weikert (2006, 27–30), and authors' own findings. The structure of the Africa Fund of the CDB seems tailored to remedy at least partly such problems as it has been given a political steering committee composed of MOFCOM, Ministry of foreign Affairs (MFA) and National Development and Reform Commission (NDRC) officials alongside the Supervisory and Executive Boards cf. Zhang (2007).

18 Compare Jia Qingguo (1999) and Yuan (2007).

19 Accordingly Jiang Yong of the Chinese Institute of Contemporary International Relations (CICIR) a think tank affiliated to the Ministry of State Security recently stated that the rules of current international economic order did not work well for the realisation of China's national interests. Especially pinning down China on international responsibilities prevented China from choosing its own development path. (Jiang 2007).

of their respective approaches could be used better to achieve these ends. Africa would probably gain more by setting an agenda in a triangular frame so as to bring out complementarity and synergies between the competing EU and China approaches, rather than trying to play one off against the other as some countries seem intent to do (e.g. Angola, DRC). At the same time African policy-makers will remain in the situation to deal with many external players.<sup>20</sup> They are co-responsible and need to decide whether the EU, its Member States and China should cooperate on their development agenda or in the long and short-term compete for influence. Especially the latter would prolong post-colonial pattern of African policy-making that is influenced by outside actors.<sup>21</sup>

Yet, Africa is still the weakest pillar in potential trilateral cooperation. The level of institutionalisation at continental or regional level is still low. Common external relations are not conceivable yet. Domestic implementation of rules and common decisions might fail due to ineffective domestic institutions in all sectors. The two central African institutional platforms for development cooperation and monitoring are the AU/NEPAD as well as the AfDB. Particularly the AfDB has several advantageous features. China, EU member states and other donors are among its stakeholders. It has result-oriented decision-making structures and readily defined standards for implementation. Yet, its role is limited to that of a development finance institution. The AU/NEPAD command greater political legitimacy, but – given their low institutional capacity - need to be considered alongside the sub-regional organisations and of course powerful individual member states.

Before actively taking up the opportunities for cooperation there is still some way to go. A common understanding between Africans, Europeans and Chinese still needs to be gained as a basis for joint action. Such an understanding involves shared and competing interests as global partners and ways to handle them.

#### 4 The challenges ahead

At the 9th EU-China Summit in September 2006 the key issue-areas for dialogue were identified as African peace and stability and sustainable development. There is significant consensus among Africa, China and the EU on the relevance of these challenges which contrasts with the contradictions identified above in respective policy stances. These issues are part of the EU-Africa Joint strategy and the 2006 Chinese White Paper on Africa. However, if one examines the individual approaches to these broadly defined areas concepts, strategies and interests differ considerably.

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20 Roughly those partners could be divided into the group of traditional Western partners organised in the OECD and in the partners from developing or transformation economies such as China, India, Russia, the Arab Funds, Malaysia and others. Brazil, Mexico, South Korea seem to be somewhere in between these two groups and more willing to cooperate with the Western countries rather than pursuing independent policies on Africa.

21 Grión (2007, 141): *“Is it acceptable that China’s involvement in Africa could lead to a degree of conflict of interest with the former colonial rulers, and to a situation in which the Western commitment to fostering good governance and democracy is jeopardised by China’s involvement?”*

#### 4.1 Competing interests and varying approaches in Africa

To a large extent the differences between Europe's and China's policy towards Africa can be explained through the divergent approaches to development and international relations as outlined in the previous sections. Yet, there are more factors which explain the impression of EU-China competition in Africa. We will review them in this section before looking at common interests.

**Business interests** are usually driven by (and lead to) competition. Such competition is in line with largely accepted notions of globalisation. However, experience shows that governments need to ensure fair competition and to improve the business environment more broadly by facilitating trade, defining rules for level playing fields and anti-corruption measures. Such initiatives can increase business opportunities for all. In the debate on China in Africa business interests have played a major role. Chinese companies in the construction sector, commodity/resource extraction as well as small and mid-size entrepreneurs—who are beyond governmental control—play a central role in what is being summarised as Chinese African engagement. Especially enterprises which are of strategic importance or which have the potential to become global players have the backing of Chinese governmental institutions and policy banks, while some others enjoy the support of provincial governments in their own often uncoordinated attempts to develop their foreign economic relations through inward and outward investments. In this context, analysts in Western countries have often not sufficiently differentiated between the kind of loans that were provided. For example, loans provided by the EXIM Bank of China to Africa<sup>22</sup> and the overseas aid given by the government have different purposes. The former serve commercial interests<sup>23</sup> and assist Chinese companies (and at times Western subcontractors) primarily in building African infrastructures. The latter is being handed out as grants, in-kind aid, scholarships or credit to African governments on generally favourable terms (globally low interest rates to some extent blur the distinction between commercial and concessional loans). Despite the soft terms of contract and generally low interest rates, the policy has given rise to concerns in Africa (within the AfDB in particular) and elsewhere (International Monetary Fund (IMF), World Bank (WB), European Investment Bank (EIB) about debt sustainability.<sup>24</sup> Although the loans are part of China's development efforts, they primarily serve their commercial advancement in an increasingly vigorous South-South cooperation.

In some cases Chinese commercial and national interests overlap or are even inseparable. Especially strategically important sectors remain under the control of governmental agencies. For instance, oil companies play an important role in securing China's access to up- and mid-stream opportunities that are needed to support its development and export driven economy. The extent to which the Chinese government controls the operations of private and state-

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22 According to the EXIM Bank's website, in June 2007 the cumulative amount of loans granted in Africa was above 100 Billion Renminbi (RMB), about 20% of the bank's global turnover. At the AfDB meeting in Shanghai in May a further 20 Billion USD for 2007-2010 were announced by the Bank's Governor.

23 Shelton (2007, 104): *"The long-term goal for Sino-African co-operation has been outlined by Beijing as commercial interaction, with private enterprises from both sides becoming the main actors in economic co-operation, opening a new avenue for South-South interaction."*

24 Li, R. (2007) lists these concerns and refutes them.

owned enterprises or to which extent they pursue a commercial rationale is not transparent. In less strategic markets, private companies and enterprises in provincial- or municipal public ownership that are active in Africa play a different role because they are money-grabbers rather than tools in support of Chinese government objectives (Bates, Reilly 2007). Such companies have had a negative impact on China's image in Africa. Beijing and African governments face the challenge of regulating these kinds of enterprises.<sup>25</sup>

***The challenge of energy security*** is an issue that has perhaps caused primary concern about China's involvement in Africa and has revived the debate on the so-called 'scramble for Africa's resources'. Oil and minerals are the key resources concerned. Generally speaking, As relative latecomers to global markets Chinese Oil companies are prepared to take high risks and outspend competitors in order to access remaining upstream opportunities and invest in countries that have been abandoned by multinationals. China has been accused of following the neo-colonial pattern of shipping resources out of Africa. Importing raw materials with little or no processing from inside the exporting country is certainly not unique to China's engagement in Africa. However, it makes visible the dilemma that China faces in balancing its national interest of securing access to energy and raw materials as cheaply as possible on the one hand with its interest of fostering friendship with Africa on the other.

Moreover, the exploitation of energy in developing countries is not only a problem of energy security in terms of transport and securing supply. Security risks need to be considered where carefree commercial exchange with badly performing governments are tolerated under the principle of non-interference. Such deals strengthen predatory governments or uneven power structures in government-society relations in those countries.

The description 'resource curse' has in the past summed up the dominant expert view, how energy sources and other raw materials caused or fuelled conflicts in poorly governed countries that are rich in resources. These conflicts might in the short and long-term become sources of instability and affect the security interests of developed nations. Civil strife along ethnic lines has been commonplace in Africa and has been triggered by territorial disputes and embezzlement of revenues from exploitation of resources. In comparison with other reasons for violent conflict<sup>26</sup>, extraction of resources has had a significant connection with outbreaks of violence. Rebellion, violent protest, and threats to human security are commonplace, where predator governments and high degrees of corruption prevail. In a case study of 10 African petro-states, Yates (2006) identifies corrupt governments (no matter whether authoritarian or democratic) and liaisons with multinational oil companies as the main source of trouble and discontent.<sup>27</sup> External players might be affected in the form of interruptions of supply, kidnappings, refugees, international crime and perhaps even terrorism.<sup>28</sup> Especially the EU has in

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25 A first set of rules for engagement abroad was issued by the State Council in 2007 while President Hu on his trip to Africa took some time out of his official schedule in Namibia to lecture Chinese entrepreneurs on Corporate Social Responsibility (CSR) (Information from Chinese TV reports on the trip in February 2007).

26 Vines' discussion of the greed versus grievance issue in Vines (2006).

27 In the same way Nascimento do et al. (2007, 3) states: "*Oil booms have generally enriched Africa's elites, not its people, and have contributed to the plague of corruption in Africa.*"

28 Münkler (2002) in particular chapters 10 to 12 on terrorism and international crime.

its ESS defined intra-state conflicts as central security risks to deal with. Weak states might easily become fragile or fail and local security issues can turn into international crises (Taylor 2007). The EU has defined this as a serious security interest in curbing trade with weakly performing states. As a result a conflict of interest exists with China's overarching and narrow objective of energy security.

However, the deadly attack on a Chinese oil exploration team in Tigre, Ethiopia, in April 2007 and kidnappings in the Niger Delta and Sudan highlight the vulnerability of Chinese interests even in friendly countries and the need for stability as a precondition for undisturbed economic cooperation. Ideally any initiatives to facilitate a stable investment environment involve a comprehensive security-policy that goes beyond combating the symptoms of conflict (International Crisis Group 2006). However, in practice the implementation of such a policy is to a great extent irreconcilable with China's principle of non-interference and self-restraint (Yuan 2007, 22). China has not yet developed a strategy to tackle situations of fragility although it has become clear that 'non-interference' alone is not enough to duck the issue.

In terms of market competition Beijing has – out of felt necessity and arguing that Western countries did the same in the past – circumvented the rules of fair market competition. In order to balance out lacking competitiveness of its enterprises on global markets and get access to remaining sources of energy, Beijing has used excessive bids, soft loans, subsidies and aid packages to African countries. Western companies can usually not compete or provide similar incentives because of their obligation towards shareholders and short-term profitability. Additionally, 'Western' development finance can no longer be used to directly support business strategies. However, where big multinational oil companies use strategic investment and are competing over the control of oil fields, China's state-owned companies are newcomers indeed, small-sized and technologically disadvantaged – even compared with Malaysia's Petronas – and smaller players.<sup>29</sup> Thus they heavily rely on support from Beijing.

In sum, because of Chinese partly state-owned companies' late access to global markets and their comparative lack of finance and know how, they rely on state-backed deals, indicating a position of weakness and lack of competitiveness rather than presenting a threat. In the case of some African states this approach has led to international and local criticism and the risks of prolonging ineffective governments' term in office and undermining good governance standards.

## 4.2 Shared and global interests in Africa

China and the EU member-states have a common interest in cooperating on development issues in Africa because they cannot deal with them alone. Especially direct and indirect security risks pose challenges to economic interests. However, the challenges not only affect the

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<sup>29</sup> Mitchell (2007, 11): 1.4% of global production and 2% of global oil trade; Mayer (2007, 63): less than 1% of oil)

three actors under review but are of global interest<sup>30</sup>. The three can take up leadership in pushing ahead issues that will be beneficial for promoting mutual interests and global governance.

***Security and stability.*** Stability in and among African states is first and foremost an issue of shared economic interests. Economic risks exist where inter-state conflicts, civil strife, migratory pressures and terrorism prevail. Therefore the protection of investments goes along with conflict resolution, combating corruption and the promotion of good governance standards and the rule of law. Chinese and Europeans alike, have witnessed killings and kidnappings in African countries. Such occurrences are usually linked to rebel groups or ethnic tensions and thus to state fragility. More recently, Chinese oil companies with investment in Sudan have come under the same type of pressure that has led Western competitors to pull out: investors – such as Fidelity Funds in the case of Petrochina – have withdrawn their shares because of public pressure over Darfur in the USA.

Chinese, Europeans and Africans have a shared interest in preserving the unity of Sudan (and of other countries that face inter-ethnic tensions, political unrest or secessionist movements). The Darfur crisis and the controversy around China's relations with Sudan show that security is a shared interest that can only be realised by at least a minimum of coordination within the triangle and with other central global players including the US and increasingly Japan, Russia and India.

***Energy and environmental security*** are global challenges that need to be comprehensively addressed in terms of supply and demand of energy sources, effects on climate change, energy efficiency and the 'resource curse'.<sup>31</sup> Environmental security is particularly relevant for Africa because it will most likely suffer from climate change, natural catastrophes, scarcity of basic supplies of water and food and resulting consequences to human security. Because these problems are central challenges for global governance and respective long-term interests of China and the EU in Africa the EU-China strategic partnership in concert with Africa can serve to promote global cooperation on these issues by setting new directions.

In order to confront the challenges at global level and find sustainable solutions to the aforementioned issues, regional organisations and mechanisms are crucial and international organisations necessary partners. Especially dealing with the shortcomings of and risks coming from weak states necessitates a division of labour with the UN Security Council and regional organisations such as the AU. The even bigger challenge is to improve cooperation between the

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30 This study limits itself to the EU, China and Africa, but of course other players such as the US, India, Russia, Japan and others also have (re)discovered Africa as suppliers of resources, markets and political allies.

31 The concept of energy security itself has evolved since the Organization of the Petroleum Exporting Countries (OPEC) boycott in the 1970s focused attention almost exclusively on supply and to some extent demand. In this traditional sense, energy security is defined as the reliable supply of energy at reasonable cost. Today, the definition has to take account of other variables. The concept of "sustainability" in economic growth questions the definition of reasonable cost, which can no longer ignore the environmental and social costs which are normally not reflected in the market price, but "outsourced", sometimes at tremendous cost to producer countries. These costs, which are unaccounted for, come in terms of political and social instability, corruption, theft and other crimes and pollution including in Africa. At the other side of the equation the indirect costs of consumption of energy (at a cheaper price than the one reflecting these costs) also needs to include the cost of global warming and air pollution which are once again not fully reflected in the current market price (except for ecological taxes in some countries).

EU and China as key players in Africa and more globally in development and mechanisms to effectively address the situations in individual countries (Berger 2007b). Initiatives such as the Extractive Industries Transparency Initiative (EITI), the Action Plan on Forest Law Enforcement, Governance and Trade (FLEGT), and the Kimberley process are useful complements to government-led processes. The post-Kyoto regime on climate change is a strategic priority not only for the EU but also for Africa and China. The latter two in particular already have to deal with the high costs of climate change and according to the National Development and Reform Commission China has already set its national targets in reducing carbon emissions.

Coping with the security risks coming from underdeveloped, yet resource-rich countries is problematic because principles of non-interference stand in the way of cooperation. So far, the Organisation for Economic Co-operation and Development (OECD), G8 and EU were contented with a piecemeal approach by inviting China to join existing initiatives and to subscribe to agreements and rules that it had not co-authored. Such advances were perceived as attempts to undermine China's trade relations with third countries and a blockade strategy to impede its access to energy and resources. China's unilateral search for an own contribution to global order with own approaches has led to the so-called stakeholder challenge; a provocation that in worst case is branding China as an irresponsible actor in case that it does not submit to Western values in foreign aid. This stance has to change and China needs to be treated as an equal member and involved in international agenda-setting.

***Good governance or the Chinese term 'soft infrastructure'***<sup>32</sup> involves effective implementation of the rule of law, financial accountability, efficient public services, a well-educated, healthy human resource base in order to uphold an active civil society and a viable economy. China's approach has differed because it had for long made its own developmental experiences the basis for external development assistance considerations. Principally China promotes the need for alternative and indigenous development paths abroad. Additionally, qualified expertise on contemporary external development assistance has to date been lacking. China is slowly catching up with the multiplicity of international and domestic challenges coming with its rapid development and international rise.

At the same time Chinese scholars are aware that in practice a principled stance cannot be implemented without confronting major contradictions (Yuan 2007, 22). Therefore, leaving principled discussions aside, there are a high number of issues that both the EU and China have an interest in dealing with on a pragmatic basis, including political development. More importantly, many African states have given up Third World principles themselves. They were replaced by an African-owned agenda for good governance, democracy, human rights – including the African Union's possibility to intervene in member countries<sup>33</sup> enshrined in the AU's Constitutional Act – as well as a value community with the EU. This agenda has seemingly caught China unprepared and will force it to make practical adjustments.

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32 The term was used by the Governor of the Chinese Central Bank, Zhou Xiao Chuan, in his speech at the Annual Meeting of the AfDB in Shanghai in May 2007 (author's notes).

33 Article 4g of the Act excludes interventions carried out by individual member-states and delimits actions to grave violations of human rights genocide, war crimes and crimes against humanity.

***Economic growth and sustainable development.*** Europeans and China agree that economic growth and sustainable development are crucial to fight poverty in Africa. Otherwise countries will remain a burden for traditional (mainly the EU) and new donors alike. Especially China would have to take on a greater burden in the future. Despite China's legitimate claim that it is a developing country itself, Africans increasingly perceive China as a wealthy country that can be pressured to increase assistance in return for the benefits that China hopes to gain from Africa—be it resources or diplomatic support.

At the same time, a European debate about leaving the burden of assisting Africa to China, should Beijing act against European economic and political interests cannot be excluded. A call for fair burden-sharing is inevitable if the EU-Africa partnership does not develop beyond a donor-recipient relationship. For the moment China might ignore such a risk, as it remains convinced that Europeans are intent on protecting their ‘chasse gardée’, not least through increased development assistance. However, in the long run China hardly possesses the means to support lasting improvements and development in Africa alone (Alves / Draper 2007, 24).

#### 4.3 Problems arising with engagement – policy mainstreaming or complementary approaches?

There is a number of dilemmas the EU and China are facing in possible cooperation in Africa. These are primarily related to the terms of cooperation per se. As we have seen, the EU and China have their own set of values and principles that can only be brought in line with difficulty. It remains to be seen how long and how seriously Africans can simultaneously subscribe to a community of values with the EU (as at the EU-Africa summit in December 2007) and accept that this value community is called into question by the political rhetoric of Africa-China meetings.

The differences between the EU and China could be overcome by adopting a two-track approach: the combination of pragmatic policy mainstreaming on the one hand and a focus on complementarity on the other. Such an approach would require readiness to compromise and a pragmatic attitude on both sides. At the same time the cooperation could lead to confidence-building and have spill-over effects into other areas of possible cooperation. Policy-mainstreaming in the first phase is only an option for those areas that are relatively uncontroversial in terms of values and objectives. For example, public sector support or infrastructure-building require coordinated policies in order to achieve efficient results, self-sustaining institutions as well as measures to monitor and deal with environmental and social consequences. They have to be part of a sector-wide approach in order to be sustainable. The achievement of common policies in these fields would be a litmus test for the „people centred“ partnership that both the EU and China have been advocating.

In order to regulate the responsible handling of natural resources, the EU, China and Africa can build on nascent initiatives such as EITI and FLEGT or the Kimberley process. The EU and China can shape these processes as equal partners from the outset. According to its Special Representative to Africa, China is already applying EITI principles in its bilateral relations (Wissenbach 2007c). At the same time it is engaging in dialogue with the EU on FLEGT involving participants from African timber-producing countries. In fact China has already

made progress in this area, not least because domestic forest management became a top priority at the end of the 1990 given the catastrophic floods blamed on deforestation. This has raised awareness about sustainability and improved the regulatory framework, including a good level of port inspections. However, a lot of illegal logging or unsustainable logging products still reach China's processing industries. However, buyers (notably in the US, EU and Japan) have a strong influence on the exporting segment of the wood industry in China.

The EU and China have already identified two tools to advance their partnership in dealing with Africa. Firstly, the Dialogue on Africa's Peace, Stability and Sustainable Development, initiated at the 9<sup>th</sup> EU-China summit in September 2006, is being pursued at the level of Africa Directors. The first meeting took place on 15 June 2007 in Beijing. An expert level conference on EU-China cooperation on Africa was held on 28 June 2007 in Brussels hosted by European Commissioner Michel (Wissenbach 2007c). Secondly, a number of issue-areas for cooperation have been envisaged and will be adopted progressively during the dialogue. These issues still need to be set out in concrete terms, but are likely to focus on infrastructure, health, rural development and, perhaps, on security sector reforms in selected countries. The EU has stressed African ownership as a crucial basis for common engagement and so has China. Africans need to take a stance now. Due to the different procedures on both sides, the implementation of common action will certainly not go without problems. However, in the long term the three partners may well succeed in building a political basis for joint action beyond options for practical cooperation.

Complementary approaches exist where the EU can build on the positive effects of China's engagement and vice versa. For instance, economic growth based on China's demand for resources provides an opportunity to rebuild traditional export economies. China's infrastructure investments in Africa will also benefit European business. On the other hand the EPAs will also create more interesting, larger markets for Chinese enterprises. However, such an approach can only be successful as long as China and the EU agree on a development agenda that favours long-term sustainability beyond short-term growth and don't block each other.

## 5 Policy directions and options

Three main directions and policy options have been proposed that might be helpful in addressing the challenges in EU-China-Africa development-cooperation. These options might not be mutually exclusive.

*The first option is to bring China into the OECD/DAC framework* as it was advocated by a number of development officials and experts (the so-called outreach strategy of the OECD, and the Heiligendamm process, agreed at the G8 summit in June 2007). Unlike Japan and South Korea, China has so far not actively sought integration into such frameworks. In fact, it remained sceptical – if not opposed – to becoming a member of a framework that is at odds with its own agenda. A Chinese researcher even called the idea „absurd“ given the fundamental differences between Chinese and the Western development approaches (Huang 2007, 92). China has a strategic interest in being considered as a South-South partner and wants to be perceived as a developing country that is helping other developing countries. Therefore, for China, being regarded as

member of the 'club of wealthy nations', is disadvantageous for the time being. Western pressure in this area is not likely to be strong enough to convince China that non-compliance with OECD codes of conduct and Western practices will damage substantial interests in its relations with the EU or the USA. However, China is one of the so-called G 5 which discusses important global issues including Africa's development with the G 8 in the so-called Heiligendamm process<sup>34</sup> However, China's preferred multilateral framework remains the UN. After the inauguration of Economic and Social Councils (ECOSOC's) Development Cooperation Forum (DCF), China and the G77 stated that the mechanism was an opportunity to enhance global partnerships for development according to the MDGs. The DCF shall serve to address key gaps in development cooperation and improve its governance, effectiveness and impact.

*As a second option, pragmatic cooperation and progressive rapprochement* in order to bring forward a common African agenda, might not help to overcome the differences of approach in the short term. However, it is advantageous in dealing with immediate challenges and in terms of trust-building. On a pragmatic level shared interests and common goals can be pursued without triggering major political controversy. Although the fundamental differences need to be addressed at some point, it is advantageous to leave this task to the mid-term future, given that many assumptions regarding China's impact in Africa still need to be empirically tested and trust can be built up in the meantime. It is therefore important to increase the research base and improve the evidence as a basis for policy-makers to make informed decisions.

*The third option is a modernisation of either side's development-approach towards Africa* built around an African agenda and aimed at making globalisation more equitable and sustainable, including the building blocks of security, trade, investment, regional and continental integration, and aid. The EU is currently in the midst of such a modernisation, while in Africa the AU/NEPAD dynamics are unfolding their potential. By contrast, China is learning by doing. Due to its ambitious agenda in Africa and the challenges it is confronted with, it is gradually adapting its policies.<sup>35</sup> In this process the actors can learn from one other and Africa has an opportunity to steer this process in the desired direction.

A consideration that would underlie any of these options is how African countries intend to define their international positions, use their enhanced bargaining power and manage their domestic development. So far they have not implemented a coherent political strategy. There are signs that the African side intends to reinforce its partnerships with both the EU and China. However, the consequences of such an agenda in terms of managing trilateral cooperation and dealing with the tensions between the different approaches have not yet been thought through. Metaphorically speaking, the African dilemma in dealing with the EU and China is that of elephants on the savannah. When elephants fight, the grass gets trampled. When elephants make love it also gets trampled. Africans need to put the two political and economic heavyweights to work for their own interests and become pro-active risk managers themselves in their political and economic relations with the EU and China.

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34 This process was agreed between the G 8 members and the 5 developing countries Mexico, China, India, South Africa and Brazil at the G 8 summit in June 2007. Regular meetings of officials have been agreed and Mexico will coordinate positions for the G 5.

35 Yuan's (2007) article is instructive in this regard.

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