EU, China and development cooperation in Africa

The EU prides itself for being the world's main donor in terms of earmarked development aid. However, in the past decade, fierce competition on the development market has started to erode its leading position. Of the so-called BRICS, China in particular has stepped up efforts to create goodwill with, most notably, sub-Saharan African leaders. Securing access to natural resources, winning economic contracts and creating a privileged political position is behind this new drive. While any additional aid should in general be welcomed, the EU's and China's overall approach to lift nations from poverty tends to conflict on several points. These differing views, compounded by an economic downturn at home and an electorate demanding ever more conditionality on aid, form a major challenge to the EU's standing in the development market. This paper covers the novelties that the Chinese model brings into the development market and where these conflict with the EU standards of development assistance. The efforts of the EU to engage this emerging power in Africa, in the hope of not being outcompeted, are also touched upon.

The EU model of development

The EU tries to spur development in other countries through the direct tool of development assistance and the indirect tool of preferential trade agreements. The EU member states are bilateral donors, but they are also important contributors to multilateral donor frameworks. Through the bilateral channels states can play out country-specific preferences, while through the multilateral channel, more generalized aid is distributed.

EU development aid is linked to a policy of conditionality and has a rather strong normative dimension. For instance, the delivery of aid is tied to compliance with objectives such as the promotion of good governance, fighting hunger and poverty, building up civil society and democratic principles, preserving natural resources, and socio-economic development. Within these objectives, the U.N. Millennium Development Goals (MDGs) play an important role, as is also reflected in the 2007 EU strategy for Africa.[1] At the moment, the EU and its member states are negotiating a position on a post-MDG framework (for after 2015). They would like to see this framework be based on similar norms and values, but domestic austerity measures and an electorate wary of sending money abroad, lead to an increased emphasis on conditionality, monitoring and evaluation. Often, this has made the provision of EU aid rather sclerotic and comes with a lot of bureaucratic hassle for the recipient.

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The EU channels development assistance to 79 countries in Africa, the Caribbean and the Pacific (ACP) through the European Development Fund (EDF), which pools member states development assistance (outside of the regular EU budget). Other financing instruments for assistance to Africa can be found in the thematic programs of the Development Cooperation Instrument (DCI) and the European Neighborhood and Partnership Instrument (ENPI), both included in the regular EU budget. In addition, an EU-Africa Infrastructure Trust Fund finances activities in the energy, transport, ICT and water management sector.
An indirect, but rather important, element of EU development policies can be found in preferential trade agreements aiming at norm dissemination. Making use of exemptions from the WTO non-discrimination principle, the EU has designed three different schemes[2]:

- The standard Generalized System of Preferences (GSP) scheme offers preferential access to EU markets for 6400 goods from 176 countries and territories.
- The GSP+ scheme offers additional benefits to countries conforming to international labor, environmental, governance and human rights standards.
- The "Everything but Arms" (EBA) arrangement offers the 49 least developed economies (predominantly in sub-Saharan Africa) tariff free and duty free access to EU markets.[3]

Also, GATT article 24 permits the formation of regional trading groups. The EU, like the U.S., has created partnerships with South Africa, Peru, Colombia, Costa Rica, El Salvador, Guatamala, Honduras, Nicaragua, Panama and Chile. Negotiations on an EU-Mercosur Association Agreement have started.

Global shifts in trade patterns

Before looking at the Chinese approach to development assistance, it makes sense to have a look at the global shifts in trade patterns. Analyzing the patterns of the past decade, the most striking conclusion should be that the dominance of transatlantic trade is on the wane. The EU-U.S. trade flows are still the world's largest, but have been subject to erosion: in 2001, these flows counted for around 40 percent of all imports and all exports. By 2011, the percentage had dropped to 30 percent of all exports and 36 percent of all imports. The fall in these shares is mainly due to the growing importance of Chinese imports and exports. Since a couple of years, EU member states import more from China than from the U.S.[4]

China (like India and other emerging economies) seeks to build a robust, consumer-based economy for its 1.3 billion inhabitants. Needing to satisfy growing middle-class demands, the country is eager to secure the necessary natural resources, as is shown in the Chinese trade balance: around 75 percent of its imports consist of fuels and raw materials. Besides the extraction of resources, China also sees Africa as a place to open new markets for Chinese companies and as a place to assure strategic assets to enhance its global standing. China has increased its efforts to build up sound trading and diplomatic relationships.

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Especially in sub-Saharan Africa, China has upgraded its economic and political ties, particularly with resource-rich countries such as Nigeria, Angola, Sudan and the Democratic Republic of the Congo (DRC). Indeed, China has consolidated its presence in many countries with whom the EU has a long-standing development relation. This has redirected a share of the African trade to emerging markets. EU trade has slowed somewhat in the last decade, but the bloc remains the most important economic partner for Africa. In 2010, the EU represented 34 percent of African trade compared to China's 12.5 percent and 11.4 percent for the U.S.

Chinese model of development

China has been an active player in development cooperation since the 1950s. During the Cold War, Communist leaders sponsored several national independent movements in Africa. In the late 1990s, the Chinese started to implement their "going out policy" and Chinese interest in Africa increased further. China depicts its relations with poorer nations as a natural continuation of ties built up in the Non-Aligned Movement that was founded in 1961. By doing so, it counters any accusation of new colonialism. In a similar fashion, China refers to itself not as a donor, but as an equal partner in mutually beneficial South-South cooperation. In the Beijing Action Plan (2013-2015), adopted at the 5th Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC), China shows itself eager to further upgrade its presence in Africa, by closely engaging with the African Union (AU) and the New Partnership for Africa's Development (NEPAD).[5] Priorities are expanded to agriculture and food security and plans are being made for a China-Africa energy forum.

China does not register any financial flow as Official Development Aid (ODA). Instead, several authoritative entities are involved in aid spending, including the Ministry of Foreign Affairs, the Ministry of Commerce, the Export-Import Bank and the Chinese Development Bank (CDB). Since 2007, the CDB manages a China-Africa Development Funds that helps Chinese firms enter the African economy and set up shop in any of the Chinese-led Special Economic Zones (SEZs) in Africa. China prefers to channel aid through bilateral channels instead of signing up to existing multilateral frameworks. The instruments preferred by Chinese authorities also differ from the Western model and include preferential export credits, market-rate export buyers' credits and commercial loans. These flows are difficult to track and not recognized as official aid by the Organization for Economic Cooperation and Development (OECD). However, different from the EU member states and the U.S., China is not a member of the Development Assistance Committee (DAC) of the OECD and as such, is not bound by its reporting and transparency standards. As a result, accurate estimates of what China spends on which country and in what manner are not available. In April 2011, China published a white paper on foreign aid with some statistics, but country-specific data or trends are not disclosed.[6]

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Chinese development assistance is guided by China's eight principles on economic aid and technical assistance to other countries.[7] The EU (or "Western") and the Chinese models differ from each other on substantial points:

- China emphasizes two-way mutual beneficial partnerships; the EU tends to offer one way, asymmetric, donor-recipient relationships.
- China focuses on economic infrastructure development; the EU focuses more on social infrastructure development.
- China underlines the non-interference in domestic affairs and the deliberate decoupling of economic development and political reform; the EU has made the delivery of aid dependent on political, legal and social reform.
- China has made territorial integrity and sovereignty into a prerequisite for aid with partner countries needing to sign up to the One-China policy.[8]

For China, aid is also blurred with investment support and export promotion with no clear boundaries between public and private sector contributions. The Chinese policy of conditionality lies predominantly in assuring privileged positions for Chinese companies and ensuring access to natural resources and agricultural products. Aid often comes in the form of projects, executed by Chinese companies with Chinese labor and tailored to individual needs – making it relatively efficient and flexible. Other instruments include:

- The provision of substantial export credits to support national exporters in overseas competition.
- Trading access to natural resources for infrastructure investments.
- The inclusion of concessional loans, zero-interest loans, as well as debt relief in investment packages.

The promotion of economic linkages is not the only reason China has stepped up its development assistance in Africa. China, as an emerging power, is also acting for diplomatic and strategic considerations as well as to enhance its international status in general. Similarly, China is also active in the field of so-called cultural diplomacy - a form of soft power. The number of Confucius Institutes has grown significantly and so have the number of people studying Mandarin Chinese in these institutes. To illustrate, in July 2012, China announced an "African Talent Plan", in which it seeks to train 30,000 African officials and offers 18,000 scholarships.

Competition or cooperation?

China's alternative approach is welcomed by many African states and, as it has proven successful, the model is at least partly copied by others, including Turkey and South Korea. However, European commentators tend to be less enthusiastic about the new competitor on the development market and criticize the Chinese approach on the following points[9]:

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- Prone to corruption: Chinese aid does not have implementation of anti-corruption measures as a prerequisite. As a result, Chinese companies are believed to enhance the position of local elites – sometimes with bribes -, but do little for the wider population.
- No promotion of human rights and good governance: Based on the non-interference clause, China refuses to promote domestic political or social change. Therefore, some analysts see easy obtainable Chinese money undermining western attempts to generate such reforms.
- Poor working conditions: Chinese companies do not apply "Western" safety and environmental standards and offer local employees poor working conditions.
- Unfair completion over natural resources: Government-backed Chinese competitors out compete private Western companies.

Despite these criticisms, Europe cannot do anything else than accept China as a competitor in Africa, both for business contracts as well as for visions on development cooperation. The challenge gets even bigger when taking into account the linkages between development aid, energy and environmental policy or security policies. As the presence of China at the development market will not be a temporary one, the EU needs to adapt to this new constellation and decide where it can - and wants to - accommodate China and on how it can withstand competition.

For several years now, European policy makers try to deal with this changing development context and have promoted cooperation initiatives with China in Africa. Since 2006, the EU and China conduct a dialogue on development in Africa and in 2008, the EU proposed a trilateral EU-Africa-China cooperation. European member states also try to engage China at the multilateral level, for example through a China-DAC study group. So far, both China as well as many African states have shown reluctant to engage in a meaningful dialogue on this subject. At the heart of this reluctance remain the conflicting perceptions of the underlying principles of development cooperation.

Conclusion

As development cooperation becomes more contested and more competitive, the European Commission needs to rethink its engagement with African countries. To retain development aid as an instrument of influence, the EU needs to accommodate China (and other new actors) by seeking coordination and cooperation whenever possible. However, Europe also has to start acknowledging that some countries, including China, are not always interested in being socialized into Western aid standards. Instead, Europe could focus on a dialogue that emphasizes shared experiences and best practices and one which encourages better reporting and the identification of overlapping interests. For example, linkages should be explored between the EU support for regional integration and the Chinese willingness to invest in regional infrastructure. At the same time, Europe has to understand that the challenges posed by China go deeper than overcoming differences in the approach to development cooperation. China remains a competitor in the quest for

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strategic resources and relationships in Africa and the EU should, as a consequence, reconsider its aid conditionalities and strategies for access to vital natural resources.

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