

## [ POLICY BRIEF ]

# Chinese Development Cooperation and the EU

John Humphrey, Institute of Development Studies, UK

### Introduction

China has the highest profile of the »new actors« in development cooperation. This derives not only from the resources that China has devoted to building economic and diplomatic relationships, particularly in sub-Saharan Africa, but also from the size and rapid growth of China's economy and its trading relationships and its distinctive approach to development cooperation.

China is neither a new nor an emerging donor. From the 1950s until the present day, China has been active in development cooperation. Nevertheless, over the past 15 years, China has become a more important development actor and has expanded its economic and political ties with developing countries, particularly in Africa. Much attention in the West has been given to China's high-profile links with Sudan and Zimbabwe and to its policy of non-interference in domestic affairs. However, the challenges posed by China for both the EU and the OECD donor community more broadly go deeper than this. China is not only a donor, but also an emerging power that competes for strategic resources and strategic relationships.

### China's Aid Budget

Chinese aid spending and aid policy-making is distributed across various ministries and agencies, including the Ministry of Commerce, the Ministry of Foreign Affairs, the Ministry of Finance, the EXIM Bank and the Ministries of Health and Education. The Chinese government does not provide clear and consistent data on aid spending, and it does not follow OECD Development Assistance Committee (DAC) reporting guidelines. Not surprisingly, therefore, estimates of the levels of Chinese development assistance vary considerably. Brautigam estimates that official Chinese government expenditure on external assistance in 2006 reached \$1 billion (Brautigam, 2008: 20). Lancaster (2007: 3) contests this figure, suggesting that the real figure is 50–100% higher. A study by the Wagner School at New York University, cited by the Congressional Research Service, arrives at a much higher figure for the same year, \$27 billion (cited in Lum et al. 2009). This

China is a long-established actor in development cooperation and a new global power. Its impact and role as a development actor derives not just from its development assistance, but rather from the dynamism of its trade and investment relationships, particularly in sub-Saharan Africa. An emphasis on economic relationships and the priority given to supporting trade, investment and growth are the distinctive characteristics of China's development.

much higher figure includes items that fall outside the DAC definition of official development assistance (ODA), such as »state-sponsored investment«.

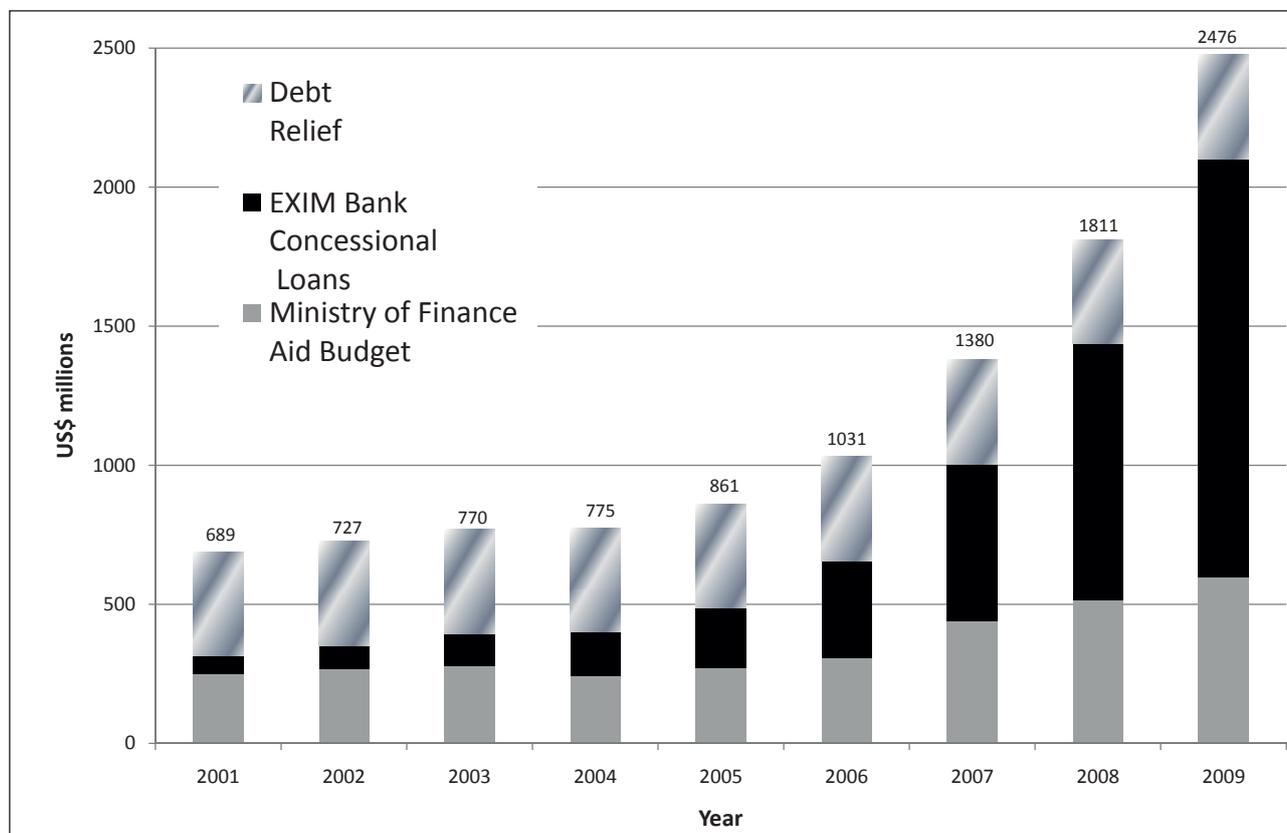
Fortunately, Brautigam has calculated Chinese aid flows bringing together material from multiple sources and identifying those elements which fall into the ODA category. The results are presented in Figure 1. Overall Chinese ODA spending has increased sharply since 2005–6, reaching \$2.5 billion in 2009. This places China as a significant donor to Africa, roughly on the level of Germany, Japan and the United Kingdom, but providing substantially less aid than the United States or France.

Focusing solely on ODA, however, would not identify China’s particular impact and importance in development cooperation. First, China’s aid spending has gone hand-in-hand with its political investments in diplomatic relationships with African states. Chinese pronouncements on its cooperation programme are frequently made during the high-level meetings, state visits and summits that have been a feature of China’s policy towards Africa. Alongside frequent visits of senior Chinese politicians to sub-

Saharan Africa, the summits for China-Africa Cooperation (FOCAC) – and in particular the 2006 summit in Beijing which saw more than 40 African heads of state in Beijing – have emphasised China’s high-level commitment to the region.

Second, Chinese development assistance is closely linked to trade and investment. China-Africa economic linkages have been intensifying. Trade between China and Africa has increase sharply since 2000: from \$10 billion in 2000, to \$40 billion in 2005 and \$107 billion in 2008. It is still the case that China’s trade with Africa represents only one third of the level of EU-Africa trade, but it is growing rapidly. In addition to this, there has been extensive investment by Chinese companies, state and private, in Africa. The Chinese government has done much to expand these relationships through its »going out« policy in general and its support for investment projects in particular, and through its use of concessional and non-concessional loans and trade credits. While much of this expenditure would not be classified as ODA, it is very much a part of government policy towards Africa.

Figure 1: Chinese Aid to Africa, 2001–2009



Source: Brautigam (2009: 170).

## Priorities and motivations

China has some clear economic motivations for enhancing linkages with Africa. Gaining access to the mineral and energy resources that are important for the Chinese economy is one clear goal of Chinese policy. Africa is an important and growing source of oil, as well as other minerals and natural resources (copper, wood, etc). Equally, Africa is a growing market for Chinese exports, and Africa is promoted within China as a trade and investment opportunity. It is seen to offer new markets for Chinese firms, and particularly for firms at the low-end of the market that are under intense competition within China itself.

Nevertheless, China's development cooperation programmes in Africa go far beyond the relatively small number of countries that supply the overwhelming share of Africa's exports to China. In addition to the promotion of economic linkages, development cooperation is also driven by:

1. Diplomatic and strategic considerations. These have been, and continue to be, important. Aid has been used very explicitly in the struggle to deny diplomatic recognition of Taiwan by African states, and diplomatic support from African countries at the UN has been valuable to China. These strategic interests expand and diversify as China becomes more dependent on imported resources and external markets.
2. International status. Countries may use aid programmes as a statement of their position in the international community. China is not a new donor, but its contributions to UN peacekeeping, for example, are motivated in part by a desire to establish its position as a responsible and constructive member of the UN.
3. Historic ties. China has long-established economic and diplomatic relationships with countries such as Sudan and Zimbabwe, and these influence development cooperation. Similarly, Tanzania is one of the countries where a special economic zone is planned, even though it exports relatively little to China.

## Mutual benefit and »win-win«

China rejects the notion that it is a donor, offering aid to developing countries in the way that rich countries do. It prefers to use the term »South-South cooperation«. This is more significant than simple wordplay. China claims

that its relationships with Southern partners are »win-win« and that sustainable cooperation has to be based on mutual benefit rather than a donor-recipient relationship. As a result, China is unapologetic about the fact that it seeks clear benefits from its aid and investment programmes.

This is one of the reasons why China does not distinguish clearly between ODA and other flows. Trade and investment are the foundations of growth and development, and China's loans – concessional and non-concessional – are frequently targeted towards creating and enhancing the physical infrastructure needed for trade and development. As can be seen in Figure 1, concessional loans to sub-Saharan Africa have increased sharply in recent years. In fact, non-concessional finance – trade credits and loan guarantees from the EXIM bank – are much more substantial and support China's expanding trade with Africa (Brautigam, 2009: 180–1).

China is equally unapologetic about its policy of not imposing economic or political conditionalities on its aid. This policy is frequently justified by reference to the Bandung Declaration in 1955, which included the concept of non-interference in the domestic affairs of nations, but its use 50 years later also has pragmatic motivations: the importance of this policy for China itself with respect to human rights in China, and the advantages it gives to Chinese aid and Chinese businesses in Africa.

## Implications for the EU

China's increasing importance as both a donor and as an economic partner for African nations poses a direct challenge to the European Union and its member states, which have long been the most influential development actors in the region. China, more than the other new actors and development, offers alternatives to African countries, and some EU Member States face direct challenges from China. In countries such as Angola, the Democratic Republic of Congo and Zambia, China is a competitor for business and investment and a competitor in terms of visions of development cooperation.

One important response is to engage with China. The Commission has regular meetings with China about development cooperation, and some member states are collaborating with China on development projects in sub-Saharan Africa. Equally, the Commission has to review its engagement with African countries as development

cooperation becomes more contested and more competitive. This is particularly challenging because of the increasing linkages between development cooperation, energy policy, security policy and climate change. Equally, the European Union must consider the forms of its engagement with Africa. What can be learnt from China?

#### BOX 1: A CHALLENGE TO THE EU

Peter Kragelund summarises the challenge posed by China's re-engagement with Africa as follows:

»The West no longer enjoys monopoly over Africa's future development. For the first time since the end of the Cold War, other nations are taking notice of African politics and economics. They do not stand passively aside, but actively provide aid to, trade with and invest in African economies to leverage international politics, obtain access to growing markets and acquire much needed raw materials« (Kragelund 2009: 479).

The EU also has to respond to the challenge of China as an emerging global power. The increasing importance of China and other new actors in global governance and global development need not be destabilising. China's commitment to a rules-based system of global governance is evident in its active participation in the WTO. It has also made this commitment evident by its contributions to UN peacekeeping forces. The emergence of new powers, including China, and the achievement of the EU's goal of »effective multilateralism« are not incompatible.

Nevertheless, China (and other new actors in development) brings to these organisations its own priorities and its own views on appropriate policies. On Human Rights, the Doha trade round and climate change, the new actors in development have pushed as hard for their positions as the EU does for its own positions. For the EU to secure its objectives in a multipolar and contested

world, it must pursue two strategies. On the one hand, it has to continue the process of thickening the linkages between China and other new global actors through creating and enhancing opportunities for interchange and the development of ideas, creating multiple points of contact and informal networks. Such linkages build the basis for international cooperation. On the other hand, the EU has to build support for its positions within global fora by building relationships with other developing countries. It must compete for influence.

Finally, in the pursuit of the objective of effective multilateralism in the context of global multipolarity, the EU should cede space in international organisations to a range of new global and regional actors. This position is not based on the argument that a rebalancing of representation is necessary on the grounds of fairness. The argument is a utilitarian one. In a more complex world, the exercise of power is more circumscribed. The challenge is to create networks, and in order to create networks, global institutions must be inclusive. Therefore, it is in the interests of the EU to cede space in international organisations such as the UN Security Council, the World Bank and the IMF in order to make these more effective instruments for the pursuit of EU goals.

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