

The China-EU strategic partnership on development: unfulfilled potential

Sven Grimm

» China's increasing engagement in development cooperation is part of a broader international trend. The share of development cooperation provided by non-OECD countries has almost doubled from 5% in the 1990s to 10% by 2006 (Grimm/He 2013). China's economic rise, its increasing global financial weight and its expanding engagement in developing countries, makes it an increasingly important partner for other major actors in international development cooperation, including the European Union (EU). In this context, the EU-China strategic partnership, which was launched in 2003, should help facilitate dialogue and build trust between the two sides over the longer term.

However, Chinese-European engagement on international development is problematic owing to differing political ideologies and strategic approaches, as well as the challenge of coordinating a variety of Chinese and European actors, including the commercial enterprises that implement Chinese development projects. China does not accept the consensus of the Organisation for Economic Cooperation and Development (OECD) on what development cooperation is or how it should be provided. It also rejects key tenets of the European approach, such as the idea of un-tied¹ aid and the application of conditionalities related to domestic reforms in recipient countries. Moreover, unlike

HIGHLIGHTS

- Profound differences of approach to development cooperation limit the possibility of significant collaboration between the EU and China.
- Some complementarities exist between EU and Chinese interests and practices in relation to issues like fragile states, capacity building and the environment that could be further explored.
- The EU should build a long term dialogue with China on development that seeks to engage with rather than reform Chinese development policy



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EU actors, the Chinese government sees development cooperation primarily as a tool of foreign economic diplomacy. Given these major differences, any substantial coordination and collaboration between the EU and China on development remains highly unlikely.

CHINA'S DEVELOPMENT AGENDA

China's approach to international development cooperation is based on the principle of non-interference and the conception of cooperation as based on 'mutual benefit' and driven by economic considerations. Chinese rhetoric remains strongly that of south-south cooperation. This south-south emphasis has its origins in the non-aligned movement, which China used to distinguish itself from the Socialist camp under the leadership of the Soviet Union in the 1960s and 1970s. China's current emphasis on a non-interference policy is closely linked to these principles of south-south cooperation, as well as reflecting China's resistance to external criticism of its political system. Additionally, its stance on non-interference is a signal to Western powers that China no longer strives to export revolution.² The Chinese government is adamant that China should not be seen as a donor and its policy papers usually start with the statement that China is a developing country itself.

Since its reengagement with the developing world at the turn of the twenty-first century, China's policy approach has become pragmatic and driven more by economic interests than ideology. The need to secure its supply of raw materials, particularly

energy resources,³ as well as the need to engage in new markets is China's overriding preoccupation. China's neighbours in South and South East Asia constitute important growing markets and potential regional allies for China, while Africa is strategically important owing to its abundant and underexploited mineral wealth.⁴

Chinese development cooperation in third countries

Chinese aid is usually a package of trade, infrastructure construction (facilitated by loans from Chinese banking institutions), and investment. Revenue from commodities produced by recipient countries is often used as a guarantee for credit. Through this model, developing nations receive substantial and immediate so-called "no-strings attached" loans for major infrastructure projects while banking on future revenue from commodities.

The selection of partner countries strongly follows Chinese economic interests – and in the case of its neighbours – also political and security interests. Within Asia, regional rivalries – notably with India and Japan – frequently influence China's choice of development partners and explain its growing cooperation with countries such as Nepal and Sri Lanka. Economic interests and the need for access to natural resources inform its engagement in other countries, such as Afghanistan and Myanmar. In Africa, Chinese involvement has grown rapidly since the 1990s with increasing trade, aid and investment links. Between 2006 and 2011 around two thirds of China's trade with Africa focused on six – mostly resource rich – countries: Angola, South Africa, Sudan,



Nigeria, Egypt and Algeria.⁵ In addition to economic interests, China's diplomatic efforts in Africa during the 1990s were also an attempt to win political support in light of the international opprobrium generated by its violent suppression of the 1989 Tiananmen Square pro-democracy protest. Chinese investment in Latin America is also increasing, although the region is politically less interesting for Beijing than Asia and Africa.

In 2009, official aid from China was predominantly directed to Africa (45.7%), followed by Asia (32.8%) and Latin America and the Caribbean (12.7%).⁶ However, total Chinese investment is far higher in Asia. Between 2010 and 2012, China claims to have provided USD 14.41 billion of aid in the form of grants, interest free loans and concessional loans.⁷ However, figures on Chinese aid are only selectively published so a country by country analysis is not possible.⁸ This constraint persists even following the publication of Beijing's latest White Paper on Aid in July 2014.

China's sectoral and project priorities at country level, including its strong focus on infrastructure, closely match its interests. However, in some cases they are also a response to the demands of its more assertive partner governments.⁹ For example, in at least three African countries, including Rwanda, the Chinese government has to choose aid projects from a list compiled by the partner government in line with its development plans.¹⁰

The ministries most involved in Chinese development cooperation are the Ministry of Commerce (MOFCOM) with the

Ministry of Foreign Affairs (MFA) as a rather secondary player. China does not have an aid implementation agency, although there is growing debate about the need for one. Aid projects are usually implemented by commercial enterprises.¹¹

China's experience in developing countries has been mixed. Many Chinese development projects have not been implemented or have not delivered the expected profits for Chinese actors or benefits for African partners. Chinese risk awareness appears to be increasing with regards to involvement in Africa, both at the political level and owing to the negative experiences of several Chinese companies.¹²

China and the global development agenda

While Beijing seeks to be involved in all global development institutions, it does not prioritise a multilateral approach to development cooperation. Bilateral development engagement remains the priority for Beijing, not least in order to corroborate its south-south narrative and to avoid being considered a 'donor'. Indeed, China even regards multi-country platforms such as the Forum on China-Africa Cooperation (FOCAC), which was established in 2000, primarily as a vehicle for strengthening bilateral engagement.¹³

China seeks to increase its influence in multilateral institutions, particularly the international financial institutions,¹⁴ by increasing the number of Chinese personnel working in them. In particular, it seeks to have more representatives in the World Bank while at the same time pushing for reform of the institution to give 'Southern'



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countries (ie. China) more influence. China sees the establishment of a Brazil, Russia, India, China, and South Africa (BRICS) development bank as providing political as well as financial capital by channelling resources through a multilateral body.

China's participation in other multilateral development forums, such as the G20, the UN, or the OECD, is largely used to fend off demands that it reform its economic involvement in developing countries. China has a loose relationship with the OECD's Development Assistance Committee (DAC) but will not join it or accept its standards. China has participated in a number of development related multilateral forums, including the China-DAC study group and the G20 Development Working Group. It has used these forums to showcase its approach, foster 'Southern' credentials and to discuss development agendas in a non-binding setting. The scope for China to engage with traditional donors, even where it clearly shares interests in relation to security and stability, poverty reduction, inclusive economic development or the environment, is inevitably curtailed by its need to avoid being seen as a donor itself. However, China has been involved in the creation of forums for high-level contact, including on development, with other emerging powers and developing countries, such as the BRICS and FOCAC.

China has been active in the post-2015 debate and was one of the countries on the UN High Level Panel on the post-2015 development agenda. China's own position on the post-2015 agenda emphasises a "diversity of development models" and "seek[s] consensus through consultation".¹⁵

EU-CHINA ENGAGEMENT ON DEVELOPMENT

The EU-China strategic partnership has included some engagement on development. In particular it included discussions about cooperation on African development, although this has not led to any specific decisions and has aroused suspicion among African actors.¹⁶

Fundamentally, the Chinese approach to development cooperation driven by interests and used to leverage business sits uneasily with the European conception of aid being provided for non-commercial reasons or as a catalyst for reform. The EU and China also have very different institutional arrangements for implementing development cooperation, with the EU working through development cooperation agencies and the Chinese through implementing business entities. However, despite these differences, there may be some areas where Chinese and European interests converge.

Consensus and divergence over global development agendas

The EU and China have some important areas of consensus and divergence in their approach to multilateral development agendas. Economic growth and the Millennium Development Goals are accepted as goals by both the EU and China.¹⁷ Additionally, environmental problems in China make the country open to more emphasis on 'green investment'.¹⁸ Both are also concerned about stability in developing countries, not least with regards to the security of their investments.¹⁹

European and Chinese cooperation policies, while undoubtedly in competition in some



Chinese-European engagement on international development is problematic owing to differing political ideologies and strategic approaches

areas, are complementary in others.²⁰ For example, China's investments in infrastructure could complement EU emphasis on institution building, with Chinese construction enterprises engaging in hard infrastructure while the EU prioritises supporting the development of related institutions such as road authorities. Likewise, training and human capital are areas where both the EU (on the ground in developing countries) and China (via scholarships in China) operate and where greater complementarity could be

possible. However, while the two actors share some common goals, there is little consensus on how to achieve them.

Divergence between the EU and China is most clear in regard to political conditionalities or engagement on issues of internal reform in developing countries, which China emphatically rejects. While China's stance on this is increasingly under pressure due

to business interests, the political rhetoric is carefully preserved, as it draws political benefit from the distinction it makes with other development actors. This difference of approach makes closer co-operation between the EU and China highly unlikely.

China's emphasis on bilateral and government to government relations inhibits a strong focus on regional agendas, unlike the regional emphasis of the EU's development engagement. Beijing holds that loans need to be guaranteed by governments and has

limited trust in regional organisations.²¹ This is somewhat contrary to the European approach that promotes regional frameworks, such as the beleaguered attempt to promote Economic Partnership Agreements with African regional organisations and the Joint EU-Africa Strategy for cooperation with the African Union (AU).

China-EU engagement in third countries

EU efforts to engage China and African states in trilateral cooperation have not resulted in any tangible outcomes. Mention of the relevance of trilateral cooperation in the Joint Africa-EU Strategy (2007) and a European Commission communication on Trilateral Cooperation (2008) have produced little result²² as neither China nor African partners are interested in trilateral cooperation. A major obstacle has been China's suspicion that Europe seeks to "socialise" it through trilateral cooperation, as well as African actors' concerns that such trilateral cooperation will limit their options if large partners work together. European actors, for their part, are unwilling to divert from key conceptual cornerstones of development assistance.²³ thus preventing any discussion 'without pre-conditions'. European actors often include reference to key development principles (Paris declaration, Accra Agenda for Action, Busan high-level forum) in their trilateral cooperation agreements, as is the case, for instance, with Swedish-South African cooperation in Rwanda. These general agreements on principles, however, are not practical for China, as the country rejects being tied into traditional development framework.

Discussion forums on development with Chinese researchers and officials have been held in almost all European countries.



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This type of 'second track diplomacy' has increased since 2006 when the China-Africa summit in Beijing involved impressive high-level African attendance, triggering increased European interest in China's role as a development partner. However, only a few joint (trilateral) research projects have been conducted by European member states, such as Belgian, Chinese, and Congolese researchers working together in the DRC²⁴ or German and Chinese researchers in Rwanda.²⁵ Other modalities of engagement with China in development cooperation are limited to a strategic partnership agreement between the UK and China (2011), which includes commitments to cooperation on development; occasional cooperation between Germany and China;²⁶ and a French dialogue with China on development and security matters.²⁷ However, none of these initiatives represent fully fledged trilateral cooperation as none includes joint implementation of projects.²⁸

OPTIONS FOR BETTER ENGAGEMENT

Given the many obstacles, the challenge is to find specific complementarities between European and Chinese development cooperation that do not appear to Chinese officials to be attempts at 'socialisation' and can provide genuine development benefits. It is also critical that third country decision-makers are on board and any discussions should be chaired by the beneficiary government. Overall, it might be better for developing countries to take advantage of complementarities between China and Europe rather than having a large number of partners to negotiate with.

Linking specific national and regional level initiatives might be an avenue to explore for EU-China engagement, at least in Africa. The 2014 Chinese White Paper on aid indicates that this may be a direction that China is pursuing. While project planning and implementation remain strictly at a bilateral level, Beijing increasingly seeks a regional dimension for its involvement. Indeed, China already provides some support to the AU and to the New Partnership for Africa's Development (NEPAD) via the African Development Bank (ADB).²⁹ This could be an entry point for more coordinated work on regional development agendas. For example, regional organisations could provide the framework for co-ordinated infrastructure provision by China and related investment in institutional capacities by the EU. Furthermore, training for African officials could offer potential for joint engagement.

At the multilateral level, China's growing interest in promoting a stable environment for investment and its increasingly pragmatic application of the principle of non-interference may offer some scope for cooperation. The Chinese government engages selectively under UN mandates in Africa,³⁰ and with increasing levels of investment its interest in addressing state failure is likely to increase. For example, China is actively mediating in the conflict between Sudan and South Sudan and has deployed troops within the UN mission in South Sudan (UNMISS), as its interests are located in both countries and oil exports depend on working relations between Khartoum and Juba as well as peace in South Sudan. Diplomatic channels already exist for exchanges on peace and security between the



EU and China, not least so via the strategic partnership. However, a key requirement for Beijing is that its engagement take place within the framework of decisions taken in the African peace and security architecture or a UN mandate. Therefore there may be some scope for engagement between the EU and China at UN level on issues related to the nexus between security and development, even if progress will probably be slow.

Discussions of the post-2015 framework offer opportunities for exchanges on the nature and aim of development cooperation.³¹ The advantage of this debate is that it sets a timeframe for agreeing a new agenda and it takes place in the context of a UN process that China regards as legitimate.

Continuous, long term engagement to build trust with China is likely to be a frustrating endeavour, but it is ultimately more promising than seeking quick wins by pressing Beijing into taking positions too fast. The EU-China strategic partnership offers a framework for on-going engagement. Development and related agendas such as environmental sustainability and support to fragile states should therefore maintain an important place within the strategic partner dialogue.

Dr. Sven Grimm, Director of the Centre for Chinese Studies, Stellenbosch University



ENDNOTES

- ¹ Un-tied aid refers to aid that is not linked to service provision by enterprises from the donor's country. China's EXIM Bank explicitly demands at least 50% of the value of loans spent in China/on Chinese enterprises, although in its multilateral aid to the African Development Bank China is beginning to test open tenders. EU states commit to provide untied aid in principle, but debates persist over how this is implemented in practice.
- ² Anthony, R. / S. Grimm (2013): 'Chinese engagement in African security - pragmatism and shifts', CCS Policy Briefing, No 6, September 2013. Zhang Chun, 'China Engaging into Africa – Looking for the future', ed. Liu Hongwu and Yang Jiemian, *Fifty Years of Sino-African Cooperation: Background, Progress & Significance* (Kunming: Yunnan University Press, 2009), pp. 130-146.
- ³ China is today the largest oil importer in the world and is also a net importer of coal (since 2003), the latter being the largest source of energy in China.
- ⁴ Africa Progress Panel (2013): *Equity in Extractives – Stewarding Africa's natural resources for all*. Report. <http://africaproggresspanel.org/publications/policy-papers/africa-progress-report-2013/>
- ⁵ Cissé, D. (2012): FOCAC: trade, investment and aid in China-Africa relations. Policy Briefing, (Stellenbosch: Centre for Chinese Studies, May 2012)
- ⁶ Government of China (2011): *China's Foreign Aid*. Information Office of the State Council, People's Republic of China, Beijing, 21 April 2011.
- ⁷ Government of China (2014): *China's Foreign Aid*. Information Office of the State Council, People's Republic of China, Beijing, 10 July 2014.
- ⁸ Grimm, S. (2011): *Transparency of Chinese Aid - An analysis of the published information on Chinese external financial flows*, CCS Research Report (Stellenbosch: Centre for Chinese Studies, August 2011).
- ⁹ Grimm, S. (2014): *China-Africa Cooperation: Promises, Practice and Prospects*. In: *Journal for Contemporary China* [Denver/USA]. Vol. 23, No. 90, November 2014
- ¹⁰ Grimm, S. (2011): *Transparency of Chinese Aid - An analysis of the published information on Chinese external financial flows*, CCS Research Report (Stellenbosch: Centre for Chinese Studies, August 2011).
- ¹¹ Grimm, S. (2011): *Transparency of Chinese Aid - An analysis of the published information on Chinese external financial flows*, CCS Research Report (Stellenbosch: Centre for Chinese Studies, August 2011).
- ¹² Grimm, S. (2013): 'Aid dependency as a limitation to national development policy? – The case of Rwanda', ed. William Brown and Sophie Harman, *African Agency in International Politics* (Oxon: Routledge, 2013). Ren Peiqiang / Huang Meibo (2013): *A Study on the employment effect of Chinese investment in South Africa*. CCS Discussion Paper, No. 4, October 2013.
- ¹³ Grimm, S. / He, W. (2012): *Emerging Partners and Their Impact on African Development*. In: E. Lundsgaarde (ed.), *Africa Toward 2030 – Challenges for Development Policy*. Basingstoke: Palgrave Macmillan, pp. 196-223. Grimm, S. (2014): *China-Africa Cooperation: Promises, Practice and Prospects*. In: *Journal for Contemporary China* [Denver/USA]. Vol. 23, No. 90, November 2014.
- ¹⁴ China is a stakeholder in the African Development Bank since 1985, and joined the Inter-American Bank for Development as a donor in 2008. It has been a member of the Asian Development Bank since 1986.
- ¹⁵ <http://www.safpi.org/news/article/2013/chinas-position-paper-development-agenda-beyond-2015>

- ¹⁶ Castillejo, C. (2013): Engaging China on development. Policy Brief No 151, Madrid: FRIDE, March 2013. Stahl, A. (2013): Hic Sunt Dracones: Exploring the Unchartered Territory of EU-China-Africa Trilateral Relations. PhD Thesis of Vrije Universiteit Brussel.
- ¹⁷ Castillejo, C. (2013): Engaging China on development. Policy Brief No 151, Madrid: FRIDE, March 2013.
- ¹⁸ Grimm, S. / M. Burgess (2013): "Greening Chinese-African Relations?" In: Xing, L and Osman, F (eds). China-Africa relations in an era of great transitions. Ashgate. pp. 71-85.
- ¹⁹ Anthony, R. / S. Grimm (2013): 'Chinese engagement in African security - pragmatism and shifts', CCS Policy Briefing, No 6, September 2013.
- ²⁰ Hackensch, C. (2011): Competing for Development? The European Union and China in Ethiopia. CCS Discussion Paper 3/2011 (Stellenbosch: Centre for Chinese Studies, August 2012).
- ²¹ The regional road link between Kigali (Rwanda) and Bujumbura (Burundi), for instance, is planned in two (connected) national settings and the two parts are respectively anchored in China-Rwanda and China-Burundi cooperation.
- ²² Stahl, A. (2013): Hic Sunt Dracones: Exploring the Unchartered Territory of EU-China-Africa Trilateral Relations. PhD Thesis of Vrije Universiteit Brussel.
- ²³ Stahl, A. (2013): Hic Sunt Dracones: Exploring the Unchartered Territory of EU-China-Africa Trilateral Relations. PhD Thesis of Vrije Universiteit Brussel.
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- ²⁶ Grimm, S. (2011): Transparency of Chinese Aid - An analysis of the published information on Chinese external financial flows, CCS Research Report (Stellenbosch: Centre for Chinese Studies, August 2011).
- ²⁷ Castillejo, C. (2013): Engaging China on development. Policy Brief No 151, Madrid: FRIDE, March 2013.
- ²⁸ Stahl, A. (2012): Trilateral Development Cooperation between the European Union, China and Africa: What Prospects for South Africa? CCS Discussion Paper 4/2012 (Stellenbosch: Centre for Chinese Studies, August 2012).
- ²⁹ The provision of funds to the AfDB's Africa Growing Together Programme, a pledge of US\$ 2 billion, made on 22 May 2014, was particularly remarkable, because Beijing accepted AfDB tendering procedures. This, effectively, makes the Chinese contribution 'untied', as it provides for open tendering process with no specific quota for Chinese enterprises.
- ³⁰ Zhou Hang (2013): Dragon under the Blue Helmet: a quantitative analysis of China's motivation for participation in UN peacekeeping operations. In: African East-Asian Affairs, Issue 3, September 2013, pp. 31-61. Aubyn, F. (2013): China's Foray into African Security and the Question of Non-Interference. In: African East-Asian Affairs, Issue 3, September 2013, pp. 9-30.
- ³¹ Castillejo, C. (2013): Engaging China on development. Policy Brief No 151, Madrid: FRIDE, March 2013.

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