

WEDNESDAY 6 MAY 2009

Present

Crickhowell, L.
Hamilton of Epsom, L.
Jay of Ewelme, L.
Teverson, L. (Chairman)

Witness: **Mr Koen Doens**, Head of Louis Michel's Cabinet, **Mr Hervé Delphin**, Deputy Head of Cabinet, and **Ms Elena Peresso**, member of the Cabinet, European Commission, examined.

Q376 Chairman: We have given little time for this, but that does not mean to say we do not think it is important. In fact, this is one of the areas of the inquiry that we have got particularly involved in. Perhaps if we do not have enough time this afternoon we could invite you to submit in writing any other areas that you do not think we have covered sufficiently, if that would be okay.

Mr Doens: Yes.

Chairman: If I could just go through the formal parts of the session in that this is a recorded session and what we will do is send you a transcript of the proceedings which you are very welcome to correct if you do not feel they are accurate. If you want to go off the record at any time then that is fine, as long as you let us know and then let us know when you go back on the record.

Lord Jay of Ewelme: I think for the record I ought to declare an interest in that I chair a medical aid charity that is operating in Africa and receives funds from the European Commission.

Q377 Chairman: Thank you, Lord Jay. Would you like to introduce your colleagues?

Mr Doens: Hervé Delphin is the Deputy Head of Cabinet, more particularly in charge of relations with Africa as such and also the one who is in charge of preparing the Communication on China and Africa. Elena Peresso is a member of the Cabinet who recently joined. Previously she was working on the other side of the road with the Council Secretariat. I think you are having a meeting with Robert Cooper and Elena worked with him. She has now joined the Cabinet and is following relations with emerging economies, including China.

Q378 Chairman: I thought they never let people out of the building in the Council, so that is good! Was there anything you wanted to say as an opening remark or shall we go straight into questions?

Mr Doens: Straight to questions.

Q379 Chairman: We will be careful on time on our side as well. We start off with the very broad question that is, from an EU perspective what are the main development issues that arise with regard to China's approach to Africa?

Mr Doens: That is a very broad question that would take us through the whole agenda. As a starting point, the main impact of what China does, or the presence of China in Africa, is that it brings in a major new player who comes with an increasing amount of money, with an increasing political presence, hence with an increasing impact on the ground and in the way things are being done. They come with money and a way of doing things. That is in a number of sectors in which we are active too - infrastructure, food security, et cetera - so the increasing presence of a new donor raises a question which is a challenge we have in general as a donor community which is how to co-ordinate our approaches. That is not only an issue we have with China, that is an issue we have within the EU itself between the Commission and the Member States and with other major donors, be it the international financial institutions, the United States, et cetera. You will know of the Accra agenda on aid

efficiency. This main challenge is one that is at the centre of our relations with China. The main impact, as I see it, of China's increased presence in Africa is precisely that one: there is a new major donor bringing in money, investments, with its own way of doing things and we have to find a way of dealing with them in a coherent way. The way in which we do that is by doing an outreach to them and the Africans in line with our general outreach agenda. I think the Communication on EU-China-Africa tries to capture the essence of that outreach by making sure that our African partners themselves do that. In our way of doing development policy, as you know, we try to fully respect as much as possible the issue of ownership, which basically means that we align ourselves with how our African partners see their own development and we try to stimulate the Africans within the country setting themselves in the centre of donor co-ordination. Obviously there is a whole set of particular challenges, challenges which we face in general with other donors, some which are more particular in the case of China. The first one we see is the one on politics. It is obvious that there are divergences on how far you link political dialogue with cooperation and where it is that you put the cursor on this scale of interference in domestic politics and how much scope you leave. It is clear where China puts its cursor. They have a very clear policy line on non-interference. The EU position in general is less clear and depends very much on the country we are dealing with, on the issue we are dealing with and differentiates between the Commission and some Member States. We have plenty of cases where we can demonstrate precisely how you play the link between development policy and the domestic political situation just as in the EU different cases can demonstrate different positions. This is definitely the first cluster of challenges we face, which is not abnormal, we have the same debates with the United States and other partners on how you link and where exactly you put the cursor on the link between domestic politics and development cooperation. The second issue, or cluster of challenges, is linked to how the Africans themselves perceive this search

for coordination between the EU and China. Our Communication has been very well received in general in Africa, but it is clear that some African leaders have some questions about our real intentions and question the fact that we are not trying through trilateral cooperation to bring Chinese policy more in line or put a *chapeau* on the Chinese way of doing business in Africa and bringing them into our way of doing business. Our contacts with African leaders are ongoing in that respect and Louis Michel has raised the issue on several occasions with several African leaders. It is not easy to convince them that we are basically asking them to coordinate and are not trying to impose anything on them. It is clearly a cluster where there are challenges that we need to continue to address. Thirdly, and this is more concrete, as you have seen, as the Commission we have identified four areas in which we would like to take our cooperation with China and Africa forward. Those are peace and security, infrastructure, natural resources and food security. These areas of cooperation were identified jointly with our Chinese partners and have been prepared long in advance. To translate this into real cooperation in the field is not easy because of the issues of understanding politics, but also because of issues purely related to procedures. The way in which our development policies run involves a long procedural track that is rather complicated within the Commission itself and with Member States based on Cotonou with our African partners. This is not necessarily the ideal procedural setting to try to work out trilateral cooperation with Chinese and African partners who are very prudent and first want to see on a smaller scale what exactly this would mean before stepping into something more grandiose. I know it is a broad introduction but your opening question was broad and I hope this allows us to kick-start the meeting.

Chairman: I know Lord Hamilton wants to ask a question, but because we have so little time left, and I do apologise for our impoliteness over that, perhaps I could ask Committee members on our side to put forward whatever question they want.

Q380 Lord Hamilton of Epsom: Would you not agree that an awful lot of aid has gone into Africa and there is precious little to show for it really, most of sub-Saharan Africa is riddled with corruption and extremely bad governments? Is it not possible that the Chinese actually have a better solution to this than the West does? I have seen what they have been doing with the Democratic Republic of Congo where in return for copper and cobalt concessions they are prepared to build a railway along the south of the country and a road which goes up the east and along the north. If that deal is fulfilled, surely that does more for the Congo than anything anybody else has managed to do over the last 50 years.

Mr Doens: That is a very concrete question. The answer is probably a bit more subtle.

Q381 Chairman: Yes, only things on the record can we take into consideration.

Mr Doens: First of all, I do not think we should necessarily frame the debate about China and Africa as one that is in competition with Europe. If, indeed, the Chinese in the DRC bring money in with the back-to-back mining deals they have got with the Congolese and build roads, as they intend to do, then that is a good thing for the DRC. Does that mean what we are doing in parallel in another setting with another development paradigm is necessarily bad? I do not think so.

Q382 Lord Hamilton of Epsom: One is better than the other.

Mr Doens: The challenges of the DRC are big enough to capture whatever donors may want to put into the country. At first sight it is a very efficient way of doing business: you build a road, you leave it and then the Congolese have a road. Our experience in the Commission on infrastructure, and we have long experience in terms of infrastructure, is that it is not enough to build a road. If you build a road and leave the country then ten years later, not even ten

years later, five years later, that road cannot be used any more. We have learnt that when you build a road it is important to help the country to have a transport policy where the building of a road does not only mean putting tarmac between point A and a privileged village, but it means developing a vision of where your priorities in terms of roads are. You need a transport policy that also ensures that you have road maintenance and that you foresee in your budget a road maintenance fund. This is precisely what we are doing in our infrastructure policy, it is not just building roads. When we talk infrastructure, we talk infrastructure policy, not only building roads. The experience we have gives the impression maybe that we are slow, that we are not delivering as quickly as the Chinese, that we are being accused by some governments of dragging our feet, overcomplicating things, not helping them to deliver the goods to their people immediately, which means between the election now and their next election, but our track record and what we are trying to do, even if it takes more time and is more complicated, absolutely makes sense and is defensible and is not in competition with what the Chinese are doing at all. I hope this gives you an answer to your provocative remark.

Q383 Lord Hamilton of Epsom: I am not saying that we are in competition, but I am not sure that the Chinese solution is not more effective. That is all I am saying. I am not saying one is good and one is bad.

Mr Delphin: It depends on what your benchmark is actually.

Lord Hamilton of Epsom: Our track record in sub-Saharan Africa has been appalling and we ought to face up to this. We have ploughed money into the place and there is very, very little to show for it.

Chairman: I will ask Lord Jay if he has a particular question he would like to ask.

Q384 Lord Jay of Ewelme: I would quite like to have a discussion offline about that. I wanted to pick up something you were saying about peace and security and political conditionality. It is quite a difficult issue even for us to know at what point you start saying to governments, “You are going down a political road which we believe is wrong for your country and risks leading to insecurity”, and so on. Is that a discussion that you find you can have with the Chinese at all? Is there any responsiveness at all to discussions, “Look, there is a responsibility for aid donors to be concerned about good governance, about not supporting your oppressive regime, about it being in their interests as well that there should not be a repressive regime which leads to insecurity and conflict”? Is that the kind of dialogue that you can have?

Mr Doens: It is.

Mr Delphin: Maybe I can give you a few examples.

In the first phase of China’s re-engagement with Africa, because we should not be oblivious to what happened in the past, maybe they were engaged in a more predatory-like type of policy of grabbing resources. But they realised for their own good, and it is purely geopolitics on the Chinese side and economically driven, that stability is key for them to secure access to resources. It is by this issue of stability that they are brought into the question of governance. They have a very businesslike approach to dealing with the African regime. I will take Kenya because the Commission and UK have worked together very closely to stave off the risk of the country falling into an abyss. It was interesting to note that the Chinese joined the mainstream of the international community in condemning and distancing themselves from the regime because they could see that their business would be at stake potentially. You could take the opposite example, which is Zimbabwe, where they have secured deals with the

regime and if they can benefit from this situation for them the issue of governance is a non-issue. Nevertheless, on the issue of peace and security in Africa one of the most promising topics of discussion with them is indeed about building up an African peace and security architecture. China has more than 1,000 peacekeepers in Africa under the UN hat. This shows that they are interested in this issue, but in terms of their bilateral relations it is a matter of whether it is good for the business or not. I could have taken the case of the Sudan even which is interesting in terms of access to oil. Now because of the international pressure they have tried to draw bridges. But at the same time in essence we know they are very sympathetic to the regime of Bashir because of their economic interests in Sudan. It is a very, very difficult area for them to engage in.

Q385 Lord Crickhowell: I want to pursue a slightly different line. We had a very good and clear account of what EU policy is seeking to do and how to do it, but Chinese development aid to Africa does not seem to be aimed primarily at poverty reduction and economic progress, it seems to be much more political and economic in the sense of access to resources. I am quoting from the Commissioner's book which you have so wisely put in front of us: "China, the US, Australia and India, but also Malaysia, are increasingly competing for control of Africa's mining oil and gas deposits." He also points to some of the dangers, "the risk to the beneficiary countries of massive redevelopment and dependence", so there is political fallout. Given that the Chinese objective does seem to be primarily with those economic and resource objectives in view, does that create a problem for the EU in any sense because we are competing for the same resources? Is it an obstacle for the ability to cooperate in the common interest?

Mr Doens: On the first point you made, which is indeed taken up in Louis Michel's book, it is enough to look at where development cooperation in the institutional framework of China is located and which people you should talk to if you really want to talk development

cooperation with Africa to see by which ideas and objectives the policy is driven. It is very much with MOFCOM that you have to talk. Also with foreign affairs, of course.

But the link between the Chinese need for natural resources as a driver of their presence in Africa and as a main issue that shapes their policy, the choice of countries where they are active, the choice of countries where they make visits, is very obvious. The second reason is political and driven more by foreign affairs that has to do with creating alliances on a number of issues that are quoted in their foreign policy agenda, like Taiwan. Once they are there and making investments, from our development point of view we have not come across their issues as being in competition with us. Indeed, European companies may be in competition with the Chinese but European companies do not come to us as the development policy department to get our interference in their contracts. The main objective we have in terms of influencing or helping European companies is precisely our governance agenda. It is creating a level playing field by at least making sure that the way in which our African partners manage their awarding contracts is done in an appropriate way, which is not the case, or at least not always the case, in most countries now. It is trying to influence the governance agenda, the awarding of contracts, that is our way of influencing it. The example was given of the DRC. If you look at the way in which the DRC awarded the mining contracts one can question the objective way of handling that, and, by the way, one of the issues with the international financial institutions is the concessionality of the loans given by the Chinese precisely because it is a back-to-back issue with the delivery of mining resources.

Q386 Lord Crickhowell: One of the things I think we learnt when we asked questions at a meeting we had in London about the Congo and so on was the discovery that it is not so much a great Chinese Government central operation, it is mainly the Chinese commercial mining

organisations, separate businesses all running it on a large scale themselves, so it is rather different from the European aid and NGO directed, “Let’s improve the welfare of the people”.

Mr Doens: Yes.

Q387 Lord Crickhowell: There does seem to be a fundamentally different approach.

Mr Doens: Absolutely, it is.

Q388 Lord Crickhowell: Having got that fundamentally different approach, how far are Europe and China able to mutually cooperate for general benefit on these issues?

Mr Doens: Let us go off the record for a moment. (Off the record)

Mr Delphin: You could clearly argue that there is a distinction between the policies pursued at the level of Member States, which is a mix of development policy but also national foreign interests, and what is done at the EU level where we have a policy framework which is geared towards poverty alleviation and where the vested interests of Member States are somehow put on the back seat. They are present but they are not at the forefront of the definition of our policy. On the EU side you have this dimension. You could argue whether at the EU level we should not develop more political clout to play and compete at a collective EU level against other powers active in Africa or elsewhere in the world. This distinction is very important to see how Europeans interact with the Chinese. The Chinese know this reality perfectly well. They are very good at playing ‘divide and rule’ between the Europeans, which member States they have to play with, what is the EU able to do or what is its competence. They know this by heart. For us, this is a challenge in the way we engage with the Chinese. You could question why would they be interested in engaging at the EU level and the answer probably lies in the respectability issues. For example, one of the areas we will advance with China in terms of cooperation is about FLEG, the illegal logging of timber. They are now dragging a bad reputation in Africa. In Zambia there was a protest at minefields and in some

countries they had started to react angrily to the way the predatory approach of China developed. Now they are looking at being more sustainable, not just for respectability but for their own good of preserving the resources. This is a way to catch and drag the Chinese into more mainstream development policy as we see it from a European perspective. But we should not be too naïve on where China's interests are, it is always hard currency and hard interests behind it. I do not think we can fool ourselves on how far we can bring them in, it will always be a matter of calculation on their side. As Koen explained, if we can put the African countries together in developing an interest in having this sort of trilateral cooperation we will make some good headway in working together with China.

Chairman: We are going to have to end it there. Those are really interesting comments. If I could have two dinners this evening, I am sure we would try to invite you to come along to the second to continue this subject, which is an excellent one. If I could ask a favour of you. You have seen some of the other questions and if it is possible for you or your staff to submit any written answers to those, we would be very grateful indeed. It has been a short session but a fascinating one. Thank you very much indeed.