

THURSDAY 21 MAY 2009

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Present

Anderson of Swansea, L  
Chidgey, L  
Crickhowell, L  
Hamilton of Epsom, L  
Inge, L  
Jay of Ewelme, L  
Jones, L  
Swinfen, L  
Teverson, L (Chairman)

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Witnesses: **Mr Gareth Thomas MP**, Under-Secretary of State, **Dr Tamsyn Barton**, Deputy Director, Europe Department, and **Mr Marcus Manuel**, Director, Pan Africa Strategy and Programmes, Africa Directorate, Department for International Development, examined.

**Q526 Lord Chidgey:** Minister, first of all the Committee wants to thank you for the useful evidence to the inquiry into the EU and China. The evidence notes that the EU and China have identified strong shared interests in Africa, and that there is huge scope for co-operation. What are the main areas in which there is scope for co-operation, and what are the challenges? Does China's stated policy of non-interference amount to implicit support for corrupt, repressive and dictatorial regimes?

**Mr Thomas:** Peace and security, support for African infrastructure, a range of environmental and natural resources issues, and certainly on agriculture and food security, those four would be four very obvious areas where the EU, together with the African Union, together with China, we think could trilaterally work together very much on. Let me take the example of infrastructure, if I may. Given the huge resources that China certainly does have, that it can deploy not just through government but through its private sector or its parastatal companies, I think there is huge potential benefit from China's engagement in Africa. I mean, to go back

to the example I gave of the North South Corridor Conference which we have helped to drive, that took place in Lusaka in April, we worked very closely with a range of players, but we did seek, for example, China's engagement. We know that the Africans were keen to have the Chinese in the room for that discussion, given the amount of money they spend on roads and railways in a number of countries in the southern and eastern African bloc. So there was not only an ambassador from China in the room, but I think the Chinese Development Bank was represented as well, and I think a number of their private sector companies were there too. I mean, we have been working to try and both understand ourselves better how China engages and works with governments, what it does in African countries for quite some time, so, for example, our staff in the DRC have been funding work to effectively draft the law on environmental and social standards, which will, in a sense, help to govern part of how some of China's funding is being spent on infrastructure in the DRC. We are also funding work there to understand the impact of how those programmes impact on social issues and environmental issues in-country. Now we have done that with the agreement of the Chinese and the support of the Chinese, they have welcomed that work. We have also done that with the active support of the DRC government too. So what we want to do is to try and replicate the examples of that type of collaboration, which is just between the UK very directly and China and the African country concerned, with the EC as a whole with Africa and African institutions with China. So we have been gradually encouraging European Commissioners to have a whole series of discussions with their opposite numbers, which they have begun to do, and one of the results of that was a European Commission document called a Communication on the potential for that EU-China-Africa protocol co-operation, which was published in October last year, and which set out those four areas, as I said, which we see there as being real opportunities to work together.

**Q527 Lord Chidgey:** Yes, Minister, you quite understandably stress that China has this interest, of course, in stability and security, absolutely fundamental if you are trying to extract valuable resources elsewhere, you have to have that as a starter, but it does not really address the issue that I have raised of implicit support for corrupt and repressive and dictatorial regimes. Am I correct in thinking that one of the great thrusts of DfID's programmes is investment in the support for parliamentary strengthening, the ability for parliaments in developing countries to hold their executives to account, none of which seems to me to be part of the Chinese agenda which is fundamentally to build the infrastructure, to extract the minerals and resources, understandably, but frankly improving democracy and strengthening parliament does not really figure very high on their agenda. So where is the partnership between ourselves, the EU and China in that regard?

**Mr Thomas:** Well, I think in part it comes back to the issue we were talking about before around what different donors do, and trying to make sure you bring all the different donors to the table, and people's particular strengths are in a sense concentrated on. So not only do I think you are right that parliamentary strengthening is a particular area where I like to think we were regarded as being quite good on, I do want the Chinese, for example, to join the Extractive Industries Transparency Initiative, to give just one example of an initiative which helps country governments to see what is paid to particular corporations, and then to have it all published and set out. You know, we continue to push the Chinese on those issues. As you will know, China has on occasion vetoed Security Council resolutions about situations in particular countries like Sudan and Zimbabwe, where we have had real concerns, and we have obviously been disappointed by those decisions, and we continue to push them and encourage them to take our view of the situation in those countries as you would expect us to do. I do think we have to understand the context sometimes in which China is engaging in a country, so one of the issues that we know has become a major concern in China has been around

energy security, and therefore their engagement in, for example, international commodity markets means they are going to want long-term contracts with countries, and relatively stable relations which do not change over a short period of time, and we have to try and understand the drivers in Chinese policy better. That does not mean we do not challenge them and push them to take a different stance, and we are on record as having done that, but I think it also means that on occasion, we have to co-operate with them, so we have, for example, had a series of delegations of some of the people who work on development in Beijing come over to the UK to see how we do things, and hear why we do things in particular ways, why we focus on particular issues as opposed to others. We still have an office in Beijing, which still works on some of the issues around poverty reduction in China, but also it is seeking to set up ways of joint working, for example, on climate change as well. Not only because we need the Chinese to do more to reduce their emissions, but we also need the Chinese then to replicate what they have done in that area into some of the work they do in other countries. So to give a short summary, we do push them on some issues, but we also try and actually actively work with them and recognise the benefit that they can bring.

**Chairman:** I have three members of the Committee wanting to do supplementaries. Perhaps I could ask them to make short points, and Minister, perhaps a short response so we can move on.

**Q528 Lord Crickhowell:** I understand what you are saying about having all these worthy discussions, but is there not really a difficulty that Chinese development in Africa is not really concerned primarily with poverty reduction and economic progress at all? As Commissioner Michel said in a useful book that we were handed by his Chef de Cabinet as we went into the room, and I did a quick skim of, and I put a question to Mr Doens. The Commissioner says China, the US, Australia and India, but also Malaysia, are increasingly competing for control of Africa's mining, oil and gas deposits. He then went on to point to some of the dangers, the

risks to the beneficiary countries of massive redevelopment and dependence, and so on. We will come on in the next question on the list to some of the sort of detailed problems. But is there not really a very fundamental difference that all the objectives that you are aiming for are really very different from the principal objectives that China has at the moment in a country like Africa, which is the economic resource one primarily?

**Mr Thomas:** I am absolutely clear that like every country, there is a mix of motives and drivers as to why China does particular things at particular times in developing countries. I have given an example of the energy security concerns that we know China has. But I have to say, the discussions that I have had on occasion with some of the organisations like the Chinese Development Bank, like these senior officials who came over from China's equivalent of their development ministry, suggested that they were motivated by some of the same things, the same desires to be helpful in terms of reducing poverty as we were. That does not mean, Lord Crickhowell, that we do not disagree with them on occasion. We certainly want to know and understand the deals that China does do, and we certainly want to help developing countries, both at government level and at civil society level, know in more detail what China is doing, how China operates and engages in the region, so that they can think through their response better. We want them to be able to negotiate more effectively, not just with us, but with China and with a range of other countries too, so we are funding some research to help achieve such better responses. We are working with the African Union to help them in their discussions with China. So in a sense, and Lord Teverson, I am breaching your stricture to me, I accept the premise of your question that China will have a series of motives for doing what it does do, I do not think all of them are purely driven by Chinese self-interest, I do believe some of them are, as with my Department's motives, for the reduction of poverty, but we do need to see more openness in terms of the deals that China

does, and we have to help African countries be able to negotiate better with the Chinese authorities.

**Q529 Lord Swinfen:** Minister, you said that China was building roads and railways, and my question follows on to a large extent from Lord Crickhowell, but they are also taking a great deal of raw materials and an increasing amount of food out of Africa to feed their growing population. Are the roads and railways built to assist them in getting the raw materials, the food, out of Africa, or it purely for the benefit of the country in which they are operating?

**Mr Thomas:** Well, you would have to ask that question very directly of the Chinese authorities, but to give you an answer --

**Q530 Lord Swinfen:** But your department is keeping an eye on it, I am not, and I am asking your opinion.

**Mr Thomas:** You are asking my opinion, and I will try and give you an answer, with respect. In a sense, if you build a road and you build a railway, it helps countries both export goods and take goods out of a country, as well as deliver increased bilateral trade, one country with its neighbour, or just individual farmers and businesses being able to get their goods to particular markets. So there are potential benefits for all sorts of people from investment in roads and railways. The key thing, I think, which you touched on in your question is that the African country concerned has got to want that road built in that way, that railway, that port, provided in that way. What we have been seeking to do, and in a sense the North South Corridor Conference was part of that process, was to help African countries get a clear strategy for investment in the absolutely key infrastructure in southern and eastern Africa, and to increasingly work to get the major donors, including China, aligned behind those plans. So to do that, you have got to build up the capacity of the African Union to help, in a sense, act as a convening force, bringing the key engineers, the key planners from countries together.

We have to help the individual developing country be able to negotiate better with the World Bank, the Chinese and ourselves, and we are beginning to do all of that.

**Chairman:** I am going to move on to the next question, which we have covered maybe a little bit of, but Lord Crickhowell.

**Q531 Lord Crickhowell:** I think it does arise very directly out of what we have been talking about, and that is the situation and the concerns that have been raised about the DRC and the investments that have happened there. We have received evidence about concerns about the manner in which China's resources for infrastructure model is affecting things there. They have identified lack of transparency, failure to involve democratically elected institutions, risks for long-term financial stability, insufficient protection of labour rights and the environment and so on. I mean, what is your view of the situation that has developed in that particular area, where incidentally, I think it is worth observing that we talk about China, but of course, most of these contracts are being entered into by individual trading organisations from China, though it is also true of what is happening from individual trading organisations from Western Europe. We did get very clear evidence again that one must not always take the sort of collective view that it is all happening in the same way, because the organisations themselves very much are directing the thing to their own particular interests.

**Mr Thomas:** Well, I would be sympathetic to some of the concerns that you have received evidence about, and the deal in the DRC, I think, is a very good example of why we need to encourage both the DRC government and other governments who negotiate with the Chinese and others to be completely open about the nature of the deal. There are worries about whether the particular deal that has been done with the DRC might hold up increased donor support, particularly from the IMF, because of concerns around debt sustainability, so there are discussions and work underway to try and resolve those concerns. Our concern is that it is quite hard to be able to accurately assess the conditions of each deal, because we have not

seen all the paperwork, so we continue to encourage both the DRC Government and the Chinese to give more information about that, about those deals. I gave some indication of the fact that we were getting engaged in the margins of that particular deal, with the support of both the DRC and the Chinese governments, looking at some of the issues around social and environmental impact, and we are funding some work to do that, precisely because of some of the concerns that were being raised.

**Q532 Lord Crickhowell:** Mr Doens, addressing this very issue, talked about the need to try and create what he called a level playing field to influence the governance agenda on the awarding of contracts. He said that if you looked 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." So it seems that both the EC and DfID are working in the same general direction, which is good. Do you see the same problem arising significantly elsewhere in Africa, or has this been a particular area of concern in the DRC?

**Mr Thomas:** Well, it has been a particular issue that we have focused on in the DRC as are range of civil society organisations and I think some other donors too. It is interesting, I think the sort of climate is changing, and I think China is beginning to want to engage with other donors in a more systematic and regular way. I have seen a significant change just in the time I have been a Minister, and it is clear that within African countries, there are starting to be more questions about the types of deals that are being done. To give just one example, during the recent Zambian elections, the opposition candidate for, I think, president made a big issue of some of the Chinese organisations in Zambia not employing local staff, and just of shipping in I think Chinese staff. That has led to some change in how China operates, I understand. So I come back to this key question. Part of this is not simply to say it is

China's fault and China has got to do everything differently. Part of the job of work surely is to actually help the African countries be able to negotiate in a more effective way with those who are seeking to do deals with them, and that means I want them to be as effective at negotiating with the Chinese as they are with the Germans or with the French or indeed with British businesses going forward, and part of the support we give to developing countries is to try and help build up that negotiating capacity.

**Q533 Lord Crickhowell:** I am not sure you are right, with great respect, to try and lecture the Chinese on the grounds that we would do it better or in a more moral way, I cannot think of a worse approach. The real problem is with the African countries, is it not? They do like the Chinese approach of saying, "We are not going to interfere in your political systems at all, nothing to do with us", and the feeling that the West, which they regard as still inheriting a colonial attitude to them, come along and say, "You have to do it in the way we think is all right", and that is a very attractive option to particularly the less attractive African governments.

**Mr Thomas:** I am not going to talk about the less attractive African governments --

**Q534 Chairman:** You can just say a yes or no answer, Minister, but carry on.

**Mr Thomas:** There are many governments in Africa who do want the engagement of, for example, ourselves and others, and who we argue with on occasion, we have differences of view and they challenge us and push us and we push back. That is the way it should be, to have that dialogue. I would want developing countries to be able to be as assertive as British officials and British diplomats and British ministers certainly are in discussions we have with other countries too.

**Chairman:** Lord Jones, did you want to bring in another question here?

**Q535 Lord Jones:** The Minister did mention the concerns of some African nations in his reply. When you have your strategic policy considerations in the department, are you always taking into account that there are 600,000 Chinese nationals in Africa, 800 Chinese companies operating in Africa, and that over the next three years, China's investment in Africa shall be US\$20 billion? I dare say all of these factors are fed into your consideration for your strategic policies in the years ahead.

**Mr Thomas:** Lord Jones, we have touched on the whole sort of aid effectiveness agenda both in an EU context and to a slightly lesser extent in the context of the relations between China and Africa. One of the examples of the way in which things have changed in terms of China's approach on these issues is that it has agreed to join with the OECD's Development Assistance Committee to prepare a study on China's aid to Africa, and that in a sense reflects, Lord Jones, your point about, in a sense, just the sheer range of the way in which the Chinese, be it individuals, the state and the parastatals of the private sector, et cetera, are engaging in Africa. I think that is a sign of China shifting its stance and beginning to engage. I think it is also a reflection of just the way in which the international architecture is changing. Where once the G8 was seen as being the place where real business was done, the G20 has become very much a place where people increasingly focus on. China is a very big player within that G20 discussion, and I think a lot more conversations between how Lord Crickhowell described sort of traditional donors, the West, with China, are taking place, as China has engaged much more in some of those international institutions.

**Q536 Lord Inge:** A lot of my question has been answered to a certain extent. First of all, do you think, Minister, we ought to be thinking not about Africa as a whole but priorities for countries, not necessarily competing with China, because each country is different. East Africa is different to West Africa, for example. So are we really looking at Africa sensibly and dealing with the challenge between ourselves and China in certain places, do we really

know how to deal with these different Chinese companies and how we handle them, and do you think in the past the Chinese left Africa because they lost control of what they were doing? Do you think they would ever bring -- this is a difficult question, I know -- military force, where they have produced armed forces now that can project power. Do you think they would ever bring armed forces in in a peacekeeping role to protect their interests in Africa?

*Mr Thomas:* Lord Inge --

**Q537 Lord Inge:** Sorry about that, I just made it up on the spot!

*Mr Thomas:* Forgive me, Lord Teverson, I am not even going to try and answer Lord Inge's question. Just on the earlier part --

**Q538 Chairman:** Minister, it is entirely at your discretion what you choose to answer.

*Mr Thomas:* We sit down and try and plan out quite carefully what should be the UK's response in particular countries, in terms of where we put our money and our expertise. We see the same thing happening in the European Commission, this is one of the reforms that has come since Chris Patten's time, increasingly, EC strategy papers for countries, and so donors are increasingly in Europe having a conversation about who does what and why we are going to do that in particular countries, and part of that conversation is about what other donors are doing, donors who perhaps we do not know in detail what they are doing, we do not have detailed conversations, and that would be the Chinese included in that. As I say, we are seeing an increasing engagement with us from the Chinese authorities, and we welcome that. They do not sit down at the table with donors in quite the way some traditional donors do. We hope that will change, and we are certainly encouraging them to do so. One of the reasons why we have been really pleased to see this EU-Africa-China communication released by the Commission in October 2008, with AU and Chinese support, is we think that

will continue to encourage the type of strategic discussion that you actually think is necessary, and we would support that too.

**Q539 Chairman:** Perhaps just to follow up Lord Inge's question --

*Mr Thomas:* Well, the last bit was --

**Chairman:** Well perhaps I could just change it slightly back to the conflict prevention role, which perhaps is more DfID's area --

**Lord Inge:** Could I just say, I would include conflict prevention in anything like that. I take that as an absolutely vital part of any --

**Q540 Chairman:** Indeed and one of the things that has been brought to our attention on a number of occasions is China's role in peacekeeping, which is different, but do you see a Chinese-European role in conflict prevention particularly?

*Mr Thomas:* I would have to do a little bit of research in terms of the detail of what they absolutely do at the moment, but why not? Why should not China have a role as a major international player, in the same way that other major international nations, including ourselves, have a role in peacekeeping going forward, why should they not have a role too? But forgive me, if I can perhaps add, make this the third thing on which I will give you a fuller response by letter.

**Chairman:** By all means.

**Q541 Lord Swinfen:** What can DfID and the EU do to minimise any negative impacts of Chinese corporations operating in Africa? Should the EU put more effort into persuading the Chinese government and Chinese corporations to sign up to key multilateral initiatives such as the Extractive Industries Transparency Initiative?

**Mr Thomas:** On the latter part of your question, the answer is yes, and we will. We have done already quite a lot of work to continue to talk to them about the EITI. One of the things we have pointed out to the African partners is they might want to have their own discussion with the Chinese about the Extractive Industries Transparency Initiative, and encourage them to sign up. In terms of the first part of your question, around the Chinese corporations, we are funding the World Bank to work with the highest government level think tank in China, who are working with some of their major Chinese companies, looking at corporate social responsibility issues, and that is just, in a sense, one way, with the EITI being the second, in which we can encourage more openness and more engagement in a whole series of social, environmental and labour standards and issues by Chinese corporations.

**Q542 Lord Anderson of Swansea:** Back to capacity building, Minister: how are we trying to help African governments competently look after their own interests, for example, in increasing capacity building in the African Union, in helping the bureaucracies of African governments to negotiate with the Chinese and others, and also, you mentioned PACs and so on, to help African parliaments to hold their own governments to account in respect of their devolved development policies?

**Mr Thomas:** Lord Anderson, I hope I have given one example, in terms of the work we are doing in the DRC, where we are actually helping with the drafting of a range of standards which will govern how the Chinese money is spent. That was with the support of both the DRC government and the Chinese government. That is just one example. Marcus, do you want to give some other examples of how we are helping to build up countries' capacity to negotiate with the Chinese or otherwise?

**Mr Manuel:** I think there are two major ways. One is there is not a lot of information around, and getting information is very important. I know Chris Alden came and appeared before you, and we have been funding him for some years now, to expressly encourage both the

gathering of information and dissemination, so as he may have told you, he was with the AU and briefing the AU heads of mission and talking about China approaches in Africa, and that has been very well received, and people really appreciate that information and briefing that we can support in that kind of way. The other one can be very specific, support to ministries of mines and this kind of process in terms of negotiating deals, and where we can, and where people want to do that, we will offer that. Sometimes they will want to take it from other donors, but that is getting very much into the detail. We would do that. One example is we have done this in Sierra Leone, we have certainly offered it in DRC.

*Mr Thomas:* Lord Anderson, perhaps I can just give you one other example, which is on a trade level. Members will be aware of the current Doha round of world trade negotiations. We have funded all sorts of capacity building support into developing countries' trade ministries, so that they can do the research they need, they can fund the negotiators to go to international meetings, they can work with the civil society and business groups, et cetera, in the way that we would do ourselves, and thus negotiate better, not only with the Chinese, but frankly with the international community more generally on what they want to get from those negotiations.

**Q543 Lord Hamilton of Epsom:** Minister, I cannot remember the year now but you will, because you were probably there, but Tony Blair, when he was Prime Minister, gave a speech at the Labour Party conference in which he said that he was going to address all the problems of Africa, and basically turn the whole thing round in a relatively short space of time. Was that not an extraordinarily ambitious speech to make, and would he not be rather disappointed at how little progress has been made since?

*Mr Thomas:* I think that is a slightly unfair characterisation of the speech, but I actually think, from the conversations I had with him, both privately and with other people in the room, that he would be extraordinarily proud actually of what Britain has done in Africa, in a range of

African countries, both in terms of the numbers of extra children in school, the numbers of extra health workers we have helped to achieve, and the work we are continuing to do more generally through international negotiations, as I have said, to push Africa's case. I do not think Tony Blair or Gordon Brown or indeed any Secretary of State I have worked for have ever thought we were going to be able to sort out Africa's problems overnight, but the very fact that we have established a Department for International Development, that we have a Secretary of State for Development sitting at the Cabinet table, and that Africa is such a key part of how we spend our time within the Department working, I think he would be pretty proud of that record and recognise the work that we still have to do as well.

**Lord Hamilton of Epsom:** Do you think somebody in your department could give me a copy of that speech?

**Chairman:** Perhaps we could have this as --

**Q544 Lord Inge:** Very quickly, and again it is probably another unfair question, but if you looked at the five to eight African countries that worry you most, who would you choose?

**Mr Thomas:** Well, Sudan, without question, because of the situation in Darfur, there is no question about that. Zimbabwe, obviously because of the humanitarian situation, not least, there. I worry about those countries where the HIV/AIDS epidemic is still huge, even though there has been progress in a variety of ways there. So forgive me for not giving you a list of five or seven.

**Q545 Lord Inge:** The Congo as well, DRC?

**Mr Thomas:** Absolutely, the Congo is one that we are watching extremely closely. My colleague, Ivan Lewis, went out with our director general for country programmes just a couple of weeks ago, again to follow through on how our programmes are being spent and what else we might do.

**Q546 Lord Inge:** Do you think Europe could do more in those countries?

*Mr Thomas:* I do think Europe could do more, we certainly saw Europe as being a key part of the response to the global recession's impact on developing countries. That was a big topic at the General Affairs and External Relations Council on Monday, and it is a big part of our conversation individually with a series of Member States.

**Q547 Lord Jay of Ewelme:** I am sure you are right to mention Sudan, but I wonder whether you would agree it is not just Darfur, but also south Sudan is a huge area of risk at the moment, given not just the growing insecurity but also the political risk that if there is a referendum in 2011, the risk of further civil conflict there.

*Mr Thomas:* I was about to try and belatedly follow Lord Teverson's requirement that I should be brief in my response.

**Q548 Chairman:** I am afraid I do have one small thing which we have left out which perhaps I need to do for our EU-China inquiry. We have obviously focused on Africa, but would you see the situation as very different in any other part of the region in terms of the EU's relationship to China, or is it really similar?

*Mr Thomas:* The straight answer is I think it varies from one country to the next. I would not say it is Africa specifically as such, I think it is country specific. You have focused in on one continent, but there are differences in issues in Asia in terms of how we work with the Chinese, and how the Chinese operate.

**Chairman:** Thank you very much, Minister, and thank you also to Dr Barton and Mr Manuel as well. That has been very useful for us on both sides, and as I said, we intend to keep perhaps closer to DfID issues and development issues than we have done in the past, which I hope will be to the benefit of both sides in this important area. So thank you very much indeed for your evidence.