

THURSDAY 30 APRIL 2009

Present

Anderson of Swansea, L
Crickhowell, L
Inge, L
Jay of Ewelme, L
Jones, L
Selkirk of Douglas, L
Teverson, L (Chairman)

Witnesses: **Dr Chris Alden**, London School of Economics and **Mr James Keeley**, International Institute for Environment and Development, examined.

Q253 Chairman: Good morning, gentlemen, and thank you for coming to give evidence in our inquiry into Europe and China. Again, I would stress, as the questions do, that it is very much the relationship between the European Union as a whole and China. If I could remind you that the session is being transcribed and it is also on webcast. You will get a copy of the transcript and if there is anything else on it which you think does not reflect the proceedings then we will be very pleased to hear that and to make any necessary amendments. This part of the meeting will go on to midday latest, and that should give us plenty of time to go through the questions. I usually ask witnesses if there is anything they want to say as brief introductory remarks; I do not know whether there is anything or whether you would like to move into the questions themselves? Dr Alden?

Dr Alden: I had more or less prepared a very small statement, if you do not mind.

Q254 Chairman: That would be fine. Mr Keeley?

Mr Keeley: I do not have one, no.

Dr Alden: I will resist throughout the academic temptation to rattle on, so I will be brief!

Q255 Chairman: I think you will get on very well with the Committee! Dr Alden, if you would like to do that for us?

Dr Alden: If I just sketch the background to the topic in some sense. China's role has increased exponentially in Africa over the last decade. It is measured in terms of trade from below \$10 billion up to a trade a little over a decade ago and today it is over \$100 billion of two-way trade. It has taken up a leading position as an investor in Africa. It does so under a different framework – development cooperation is the preferred word, or economic cooperation as opposed to some of the more classic traditionally OECD understanding of development. I think in that lies some of the frictions that we see between traditional partners, European Union partners and China's approach. There is also political influence and consequences here. Recently the European Council on Foreign Relations has put forth a view – or François Godement and James Fox put forward a view that there needs to be more assertive engagement between the European Union and China, that Europe is losing out in some way. They have not focused of course on Africa policy *per se* but this is one area, and I wanted to suggest that the ingredient to that debate that is missing is a clear recognition of the terrain where all of this engagement is taking place, and that is Africa itself. If you do not recognise the context, if you do not give the actors the prominent role that they deserve the possibility of policy failure is considerable. So, reasserting the role that Africans have in setting the agenda and influencing the outcomes of policies taken between the EU towards Africa or EU and China on Africa.

Q256 Chairman: Thank you very much for that and I think that leads in very well to our first question, which is really on the strategic side and asking you what are the strategic interests of China in its relations with Africa. Which African countries are most important strategically for China? Why is that? And, as you started to broach the subject, what is the significance of this for the European Union?

Dr Alden: The strategic interests first and foremost are energy resources; or I should say resources broadly construed – energy, mineral and agriculture. That is not to say that there are not considerable political, diplomatic interests there. One of the more longstanding ones that make the transition from the ideological engagement of the 1960s and 1970s to the present day is that of Taiwan, of course, in this diplomatic competition. So we should not lose sight of that, although it is a much less significant driver as compared to the past. It remains a constant, shall we say? But the real drivers of the current post-1993 period of China's role have been orientated towards securing resources to fuel their economy.

Mr Keeley: I think a Chinese perspective on this would also be that China is trying to promote a new international economic and political order; this is the Chinese policy and it involves investment in Africa and new patterns of trade with Africa, in order on the basis of the principle of mutual equality to change Africa's position in the world.

Q257 Chairman: In terms of the individual countries is there a specific national strategy, or is it just who has which of those resources that they need and that self-selects. How do you see that, Dr Alden?

Dr Alden: There are countries where China's investments and interests in trade are greater than others and these are connected directly to the resource demands and interests – Angola is a key one. DRC is poised to become one of those, although it is more a matter of debate at this stage, given the condition of the investment package that has been negotiated and renegotiated. Nigeria and Sudan, of course, as we all know. So if you look at the top five to six trading partners they are all resource based. South Africa has always been in the African context somewhat different. It is both a resource provider but, given its leading position in political terms on the continent and in terms of its diplomatic stature, it also holds a special relationship with China; and indeed last year they reconstituted officially as a special strategic engagement reflecting South Africa's role in the Security Council of a non-permanent

position there. So I think that there are resource countries that are particularly significant – Angola, what have you – and then South Africa is both important but also has a political place in the constellation of Chinese interests in Africa.

Q258 Lord Anderson of Swansea: Presumably the change in focus from either dissuading countries from recognising Taiwan, persuading them to move from recognition to the PRC has been largely successful. Do any countries still recognise Taiwan in Africa?

Dr Alden: Four countries do at this stage – Swaziland, the Gambia... I should have this off the top of my head.

Mr Keeley: São Tomé and Príncipe and Burkina Faso, I think.

Q259 Lord Anderson of Swansea: So effectively these are relatively insignificant. They have been successful; therefore in that political element they can shift the focus in other areas.

Dr Alden: Absolutely.

Q260 Chairman: Just to come to the last bit of that question around the significance for the European Union. Is this somewhere that China has steamed ahead and Europe is moving further and further back in African nation states' minds; or how does that work its way out?

Mr Keeley: I think it is possible to overstate the extent of China's engagement. Overall investment and development aid are still small relative to DAC and multilateral aid and broader FDI. However, Chinese engagement is clearly growing and will become a more significant component of overall flows over time. So given that note of caution I would also say that relationships I think are fundamentally changing in that African states now have new sources of development aid, so some of perhaps the good governance agenda, some of the conditionality that has been associated with European aid and development policies may be slightly more difficult to promote when there are alternatives on offer. It is also not just

China, there is a range of other donors – India, Malaysia, Brazil and so on – that are also entering this space. So potentially we are at quite an interesting time where some of the traditional relationships are changing and we cannot take them for granted. The European Union needs to think about how to engage effectively with this new reality.

Q261 Lord Anderson of Swansea: Can I build on that in terms of the context? Clearly we Europeans, both bilaterally because of our old colonial empires and because of the European Union, are first in the field and we have an established position. To get ideally some comparative figures, what are the numbers, the scale of the individual Chinese who are there, for example? The scale of resources which they are offering in terms of what the EU is doing, so that we can get some sort of perspective on the Chinese role in Africa?

Dr Alden: I do not have the aggregate figures of the EU off the top of my head that makes this comparison.

Q262 Lord Anderson of Swansea: No, a general figure. They are obviously not near equality but is it one-fifth or a tenth of what the EU is doing? How significant is it compared to the EU?

Dr Alden: The first point of departure is that the Chinese statistics are basically not available, so it makes it very difficult to do this. They do not publish them; they consider it a national strategic secret. What we do is we cobble together through inference announcements in the press, when a visiting Chinese delegation appears. The World Bank did a recent study looking into this and trying to assess what was the level of Chinese economic cooperation, investment and the like. Having said all of that, \$12 billion to \$15 billion in 2006 was provided – more than the World Bank – in loans to African governments.

Q263 Lord Anderson of Swansea: Billion?

Dr Alden: Yes, billion. That is an established recognised fact, yet at the same time you can see by the variation between 12 and 15 that it tells you the difficulty in pinning down these things.

Q264 Lord Anderson of Swansea: What is the trajectory?

Dr Alden: The trajectory has been up. In terms of investment it has been at peaks and troughs, sort of thing; but measured in terms of overall trade, as I said it has increased exponentially. In 1990 there was just under \$1 billion worth of two-way trade and today it is over \$110 billion, so it is moving rather rapidly.

Q265 Lord Anderson of Swansea: And the comparative figures for the EU?

Dr Alden: I am sorry; I am not an expert on the EU side of this equation, so I cannot give that figure to you off the top of my head.

Q266 Lord Anderson of Swansea: The criticism sometimes made is that because of their lack of conditionality that recipient countries build up debts and we Europeans have to bail them out through budgetary support and so on. Is that a significant danger in your view? That the Chinese are, if not reckless, less worried about the build-up of debts and it is the Europeans and the IFIs who have to bail out the African countries?

Dr Alden: Whether it is historical coincidence or otherwise the debt reduction programmes came into being in the last few years, just at the time that the Chinese began to introduce new loans. Not all of them, but they are relatively low cost loans; they have also forgiven themselves. But I think there is that danger and it is a danger that has been pointed out to African governments, particularly the Zambian Government and the DRC, that they may be in a position of taking out new debt and who is going to address this in ten, 20 years' time? Is it

going to be, as you suggested, IFIs or bilateral donors ultimately to run another set of debt write-offs or not.

Q267 Chairman: Mr Keeley, did you want to make a comment on that?

Mr Keeley: Only to say in relation to the DRC that I think Chinese loans of \$9 billion were promised and this raised the issue of, I think, \$11 billion of outstanding debt to DAC donors, and from that there was a subsequent process that led the DRC to revise its position on taking some of those loans.

Q268 Lord Anderson of Swansea: Are we expected to pick up the bill ultimately?

Mr Keeley: They may not take those loans, I think, because basically DAC say that DRC would need to repay some of these other loans more quickly.

Q269 Lord Selkirk of Douglas: My Lord Chairman, I have a general interest as I have a son working in Africa, currently in the Ivory Coast, as a geologist. The questions I would like to ask are: what is the Chinese view of development in Africa and how far does this correspond to that of the United Kingdom and the EU? And from an EU perspective what are the main development issues that arise with regard to China's approach to Africa? What practical cooperation is currently taking place between China and the EU on development in Africa? Could this be developed or increased? So the question really is about development and cooperation.

Mr Keeley: I could start on that. China has a longstanding programme of development aid and technical support with African countries; it predates the recent re-engagement with Africa. Following the Forum on China-Africa Cooperation Summit in 2006 China announced that it would build ten agricultural demonstration centres across the African continent. There is also a programme of training of agricultural technicians and experts and scholarships for

African students. There is also support in the medical field for malaria centres, construction of hospitals and also rural schools and so on. So there is a range of development activity that China is supporting. It is very difficult to get information on it, as Chris Alden mentioned, on the breakdown by country and the overall volumes of this development aid and one of the reasons for this is that development aid is often bundled up in packages of loans and infrastructure investments and it is seen in the context of an economic partnership as one component of that, rather than being a donor-recipient arrangement, in the traditional DAC language. I think this is a really important point actually; that we have to understand how China views this, this question of bundling, and not necessarily see it as something that is inimical to African development interests or inherently problematic. So that is one point. Another issue where I think the EU can work with China is in helping to support China as it tells its own stories about its own development successes. I think that part of the reason that China is often slightly suspicious of attempts to pull it into the mainstream donor discourse on aid is a sense - and you will certainly hear some in China say that European aid has not been successful - that China actually has had the most successful developmental policy - it has reduced poverty from 650 million to 130 million since 1978 - and that it should really be given a chance to share some of those lessons in a way that allows a certain level of Chinese control over the distinctiveness of some of those things. So in agriculture you could find a range of interesting technologies in soil and water conservation, irrigation and so on that might be relevant to different African settings, but there are concerns with this in that Africa is different to China. There is a danger of a lot of Chinese aid being very supply-driven, so I think there is room for EU dialogue to think about how to limit this - and there is a lot of experience, particularly in agencies like DFID on participatory approaches and ownership and so on; so trying to share some of those perspectives through discussions with Chinese partners would I think be a useful way forward. Including, in relation to issues like agriculture,

thinking about the particular sustainability challenges facing African farming systems is an area where there is considerable expertise in the EU that we might usefully share with China.

Lord Inge: Can I ask a supplementary on that? You give a very significant statistic there about the reduction in poverty and how Chinese aid has helped. What is different from the way that the Chinese deliver that aid and the way that the European Union delivers that aid?

Lord Jay of Ewelme: Or was your question about the reduction of poverty in China?

Q270 Lord Inge: Sorry, I thought you were talking about Africa?

Mr Keeley: No, in China.

Q271 Lord Crickhowell: We have a paper in front of us, the *Global Witness*, looking at the agreement with the Congolese Republic and it gives this comment: “Once the agreement with China was signed, President Kabila was quick to voice his frustration at the conditionalities of Western aid and the slow release of promised funds. The Chinese deal offered a welcome ‘no strings attached’ alternative to traditional aid packages. This sentiment concords with China’s policy of ‘mutual respect for sovereignty and territorial integrity’. Both Congolese and Chinese government representatives have emphasised that the relationship between partners is not based on a colonial past and that there is mutual understanding.” Clearly there is a difference of approach here; would you like to elaborate on this difference? Your approach does seem to be in terms of aid packages with conditions; the Chinese seem to be going down the route of commercial deals for commercial purposes with rather different terms. Is that right?

Mr Keeley: Yes, it is part of the package that is agreed often as part of the high level diplomatic missions. It is hard to see what the priorities are, other than the broad sectoral priorities for aid, i.e. what China might be trying to do within the agricultural sector and how that might relate to the Millennium Development Goals and international agreements.

Dr Alden: One thing to recognise is that Chinese cooperation – there is a component in most of these package deals, which is granted, and is explicitly characterised as grant aid and that we can recognise as something equivalent to what the EU or DFID generally provide in terms of assistance. However, as James was saying, it is wrapped into a larger commercial setting and mutual benefit in this sense is from the Chinese perspective seen to be the sustainable factor in this. They have an interest in the resources; they have financial capacity, proven development experience and African governments lack some of these dimensions, or not getting what they want from the West – too many conditionalities, what have you, being imposed. So that commercial core is what is driving the relationship in those five or six lead countries within China’s Africa arrangements.

Q272 Lord Crickhowell: As I understand it, in the Congolese case the Chinese are building infrastructure – railways and so on – very specifically because they want to get the mineral side, and there you have an absolutely direct relationship between construction on infrastructure and so on helps them to get what they want out and helps a very, very poor country. That does seem to be rather different from the traditional approach of the European Union and other countries in the provision of aid.

Mr Keeley: That is a very important point. The Chinese aid tends to emphasise hardware over software. Large scale investment in infrastructure has been a key part of China’s own development model and that is clearly something that is being extended to Africa and is one of the major transformations that is happening on the continent at the moment. Yes, it relates to mineral extraction but it also brings with it potential environmental impact risks and so on, but also great benefits and I think many African stakeholders see this, given that there has really been a dearth of decent investment in infrastructure for several decades.

Chairman: Perhaps I could bring in Lord Jay because it starts to move into this area.

Q273 Lord Jay of Ewelme: We are into the question I wanted to ask really. It was to focus a little bit more on to the impact rather than the philosophy behind the aid. Even in western aid there has been for the last year or two a move towards seeing infrastructure as rather more important as part of our aid than it was, say, four or five years ago. If you fly over the Congo the one thing you are really conscious of is that it needs roads and railways. So I suppose the question is to what extent is that sort of infrastructure – take the Congo, DRC again, for example, take the Congo as an example and this package, as I understand it, is something like three million for investment and six billion for infrastructure if it goes ahead – likely to be just directed towards getting the minerals out, or to what extent is it likely to be directed towards developing the sort of infrastructure that would help the DRC more broadly by opening up markets and opening up prospects of development? Is that something you can answer?

Mr Keeley: I think it will be a mixture. Clearly the major components will be about accessing resources. The Chinese are also tendering for international contracts for road building and often win those because they deliver very well on price; so those perhaps would be seen as more useful.

Dr Alden: This is where I think China's experience as a developing country has influenced its development strategy towards Africa. Putting down the infrastructure is the prerequisite to any of these other things. Getting the policy framework was the obsession of the 1980s and 1990s, but wonderful as it is that does not deliver a single concrete benefit in terms of the raised food production, the possibility of markets opening, the possibility of transport. I think this is where the Chinese experience is most welcome because it has reoriented traditional western approaches towards development assistance and recognising that you have to have these. In the case of the specifics of Congo there are 32 hospitals that are to be built – there are a number of things beyond just roads that are directed towards them. The Congolese looked very closely to how the Angolans have handled the Chinese and with each Angolan

deal you will see this negotiated – there is more effort by the Angolan Government to get China involved in more than the narrower resource extraction; so I think part of the deal is to broaden the focus beyond just getting that railroad to the mine and return and rehabilitation.

Q274 Lord Jay of Ewelme: If we were having this discussion with Chinese officials how far would they see this question of the beneficial impact and the effect on poverty reduction as a valid and important part of the conversation; or would they see that as something which is not really for them?

Dr Alden: How they would characterise it depends on the setting but they would see this as a long term project; that you are not going to get short term results in putting down hard infrastructure that begins the process by which the entrepreneurial amongst the Africans will be able to use, in combination with access to loans or various things. So they would see it over a long term, I think.

Q275 Lord Anderson of Swansea: What is the reputation of the Chinese for training up an African workforce and follow up? Do they for the big infrastructure projects just bring in work teams from China? Do they seek positively to train African workers? You know the classic story of Taiwanese investment in Africa was that the only certain conclusion was that the Taiwanese can grow rice in Africa. Is that a valid criticism of the Chinese? Do they just bring in armies of Chinese workforce or do they seriously train the locals?

Dr Alden: It varies country to country and I think that what this suggests is that African governments, who are the ones negotiating the deals, have the major influence over the relative number of Chinese labourers that are brought into a certain project or not. So we see in Angola daily – I just came back from Angola – literally daily, new Chinese workers fly in for various infrastructure construction projects. You go to another country, Tanzania, where there has been a more rigorous effort to include local components – if I can put it in these

words, local content in terms of the project. So we have one or two African managers associated with a particular project and a higher percentage of African workers hired and that sort of thing. With examples in Sierra Leone and others we have other cases; so it varies. But having said that, in so far as you want quick interventions, the Chinese are able to sell quick impact infrastructure projects in countries like Angola. The way to do it – and there is an echo in the agricultural debate perhaps, and you may allude to this – is Chinese workers work in Chinese firms that are a known quantity, so if you want to get the railroad done quickly let us not bother with training up local Africans, let us bring our own workers in, bring our own supplies in and we will finish the job in 16 months, 12 months, whatever it would be. The Chinese are under pressure or request from some African governments and they are introducing on-the-job training components in some of the projects – I think in South Africa, in Richards Bay, for instance, that was one of the things that was asked of the port rehabilitation deal, that the Chinese firm actively train up South African blacks, in fact. But they emphasise these stand-alone training programmes; that is really what they will say, “We are training engineers, we are training agricultural technicians”, but they are not associated with a general project – it is part of their general development systems.

Q276 Lord Inge: I still do not get a scale – I can understand the structural point you are making – for the Chinese investment and numbers we are talking about in Africa. How many people are there because these are some very big projects?

Dr Alden: Statistics again become the problem here as none are kept that are made public. I was speaking to an academic based in South Africa – she was up here this past week – and she is doing a study in Chinese migration and most of the migration outside of South Africa is directly linked to projects, as opposed to South Africa which is of its own. There are 200,000 to 600,000 Chinese workers across the areas above South Africa and these are being brought in for projects and the like. They are on contracts; they tend to go back. If interviewed they

want to go back. So that is as far as the manpower/labour side of it goes. Official Chinese statistics, by the way, say that there are about 120,000 Chinese – this was 2006, I think – on labour contracts in Africa. Again, it would seem that there are more than that based on the population figures in each of the countries.

Q277 Lord Inge: What have they learnt from their last time in Africa?

Dr Alden: It is a question that few people ask but is something that is of concern in Chinese circles. There was a great disappointment – in a sense it is you learn the Taiwanese can grow rice in Africa, sort of thing – that the Tanzam railroad of course was completed and the Chinese were ready to shut down the operation and hand it over, and both the Tanzanian and the Zambian Governments requested the Chinese stay on and stay on, and the Chinese did not want to do this. There was a sense that they had created a dependency in these projects. There is worry that the same trend is beginning to manifest itself.

Q278 Chairman: Just to bring this particular topic to an end, is it true that the Chinese bring in their own military forces to protect their own developments and their own people there? Is that right?

Dr Alden: In the 1990s their most significant investment – indeed their most significant investment overseas ever – was in Sudan in the oil sector and they were building a pipeline, as reported by Human Rights Watch and some of the others, and they said that the Chinese workers that were working on the plant line, some of them carried arms. Were these people who had gone through military training? Were they private Chinese security? Private would be wrong at that time – now it is possible. So what the profile actually is of the Chinese that are involved there. Officially, of course, there is no Chinese security as such. A footnote to that is the gentleman who was leading the push into Chad, a Chadian, to overthrow the government of Idriss Deby in Chad, had in fact worked for ten years for the Chinese as a

security consultant, manager or something like that – he is from Chad, though. So there are some sorts of links of a kind but you will have to ask other people.

Q279 Lord Jones: I have three questions that the Chairman has asked me to put. To what extent is China trying to increase its food security through acquisitions of land in Africa? What are the main contours of China's agricultural aid programme to Africa? And has the growth of Chinese demand for agricultural commodities had a detrimental impact on food security in Africa? Is it a matter of blatant exploitation? Is China a positive force in Africa? What are you saying?

Mr Keeley: This has been quite a lively debate about whether China is investing in land in Africa to support its own food security. There was an internal document produced by the Chinese Ministry of Agriculture, which was circulated last year in Beijing, where the question of acquiring land overseas to meet food security objectives was raised and there was an internal debate among decision-makers in China, we understand from talking to Chinese policy analysts, and a wider discussion around this among researchers. The background to that is that China's food security has always been a very important concern for China is under some pressure at present. There are two key policies: one is a 95 per cent self-sufficiency policy for grains, which China maintains; and another is maintaining 120 million hectares of arable land. The total arable land area has been coming down over time and it is quite close to that red line. It has also become more difficult to maintain but not impossible to maintain the 95 per cent self-sufficiency and there are a range of challenges affecting food security, from climate change impacts, water scarcity, agricultural pollution, land degradation and so on. So that is the background. Then also in the context of the food price rise running from mid-2007 to mid- 2008, there was concern that the growing Chinese middle class and the demand for meat, linked to demand for feed for livestock was one driver of those food price rises. And we are also seeing serious food price rises in China, particularly affecting the poor.

Clearly Chinese demand is important. Chinese imports of soy have increased from zero in 1993 to 40 per cent of world trade now; so we can see the potential for greater demand – that is in one commodity, a very dramatic increase. The analysis over the next 20 years is that potentially maize imports might increase somewhat and there may be some drop below that 95 per cent self-sufficiency, particularly for maize. For rice and meat it is perhaps unlikely to change. So that may have some indications for food prices and food imports from countries; but I think many specialists think it will not necessarily be huge. On the land question, one thing to say about that is there was a discussion following the Minister of Agriculture document, and the National Development Reform Commission, which is the key policy making body in China are now producing a 20-year Food Security Strategy. The full plan will come out this year but the initial findings were launched in November 2008 and there were strong statements made at the launch that China has no strategic plan to acquire overseas land to meet its own food security objectives. When you look at the details of this in Africa, some of the media hype about the land grab can be overstated, there clearly is a new trend towards greater acquisition of large scale units of land but very large units do not really seem to be being acquired by Chinese investors. The Gulf States seem to be particularly important here. One exception might be a land deal that is currently being negotiated in Zambia to grow jatropha in the Northern Province. Chris might know the exact figure – I think it is something like 2 million hectares that is being discussed. There are many Chinese farms throughout the African continent, particularly in countries like Zambia, but they tend not to be particularly large, and significantly they are almost overwhelming producing for the domestic market rather than exporting food back to China.

Q280 Lord Jones: And you are soon publishing Land Grab or Opportunity – Agricultural Investment.

Mr Keeley: Yes. This is a report that IIED are doing for the Food and Agricultural Organisation and the International Fund for Agricultural Development – FAO and IFAD – and that will be coming out in June 2009.

Q281 Lord Jones: Are they targeting?

Mr Keeley: We are trying to take a balanced assessment for what the evidence is, not just in relation to China but across the board on land grabs. It does raise a serious set of issues that the EU might want to engage on in terms of supporting civil society capacity to scrutinise land deals and host governments' own ability to ensure that investors really do have the capacity to deliver what is promised in particular land and agricultural development deals and to scrutinise some of the issues around water abstraction, impacts on local land rights, the sustainability of agriculture and so on.

Q282 Chairman: Why would China buy farms that just operate normally and sell into their domestic markets anyway? What is the point?

Mr Keeley: Many of these farms are part of the state farm agri-business corporation, which is part of the Ministry of Agriculture. It is a bureau that used to manage reclaimed land which was farmed as state farms, many in the northeast of China. There are State Farm Bureaus; there is a national one in China and then each province has one – some of them have now disbanded. Most of them now have to generate their own revenue so going overseas to farm has been one strategy to do this and they typically contract out the farm to Chinese farmers agricultural technicians who have to meet an income target and then they are essentially farming for profit. I think it is also a way of demonstrating a Chinese model. The other point is that China has a 'Going Out' strategy as well, to encourage Chinese firms.

Q283 Lord Anderson of Swansea: You have talked about China general. Are we talking about the Chinese National Government; are we talking about provinces; are we talking about semi-state institutions? What is the profile of the investment overall by China into Africa?

Dr Alden: Things have moved very quickly over the last decade within China itself – the introduction officially of private property, for instance, and the official ending, closing down tens of thousands of state-owned enterprises and privatising them and the like. If we were discussing this ten years ago or even five years ago the answer to that question differs. The going out strategy is a government strategy; it has targeted a select number of state-owned enterprises in particular sectors that they are encouraging to invest overseas, the initial ones that Africa's experience resolved with the energy firms. They provide a less directive way of encouraging this sort of investment through China XIAMEN Bank, China Development Bank, which provide financial incentives for Chinese actors, be they state-owned enterprises, be they provincial actors, to look into exploring new markets, to broaden the economic outreach of the Chinese economy and Chinese actors. The thing that we have to capture here is that we talk often about China but in fact there are many Chinas we refer to. We refer to increasingly, in the African context in the last five years or so, private actors. I was thinking of some of these Chinese farms – some of them were just Chinese farmers who have taken up positions within the African context to serve – what do they call it? – the truck farm; you are in the periphery of the city and you are providing vegetables and what have you. So they are very different to the local market; there are different scales of who China is. I think the growth area would be to look at the provinces as actors in this thing. The Chinese Government remains significant in key sectors – energy sector with a state-owned company; but even the mineral sector is much more played at a provincial or even private level.

Q284 Lord Anderson of Swansea: One of your publications was *Chinese Multinational Corporations in Africa*. Do they have an identity?

Dr Alden: Some of them are *bone fide* recognised multinationals, others are parastatal and others have listings on the Hong Kong Stock Exchange and what have you, and they have been encouraged to do so; yet the state retains the bulk of the shares and control within these organisations. So that is at the high end, the big firms, but again we have small or medium enterprises which may have evolved from this privatisation of state-owned or provincial enterprises which are increasingly behaving as private actors.

Q285 Lord Anderson of Swansea: And enterprising people who seize the opportunity.

Dr Alden: Absolutely.

Q286 Lord Crickhowell: We now have the notion for the point I was about to put to Mr Keeley. I was struck by his reference to the produce going to the local markets and he then cited Zambia. On the couple of visits that I have made in the recent past to Zambia I was struck by the scale of the farming enterprise around Lusaka and some of that is China, but a great deal of the produce is of course going to the European and British markets – the vegetable markets and so on. So presumably these Chinese farms are actually not as private and trading with the local market but they are actually trading in the supermarkets of this country as well. Presumably they tend to be privately owned enterprises, or not?

Mr Keeley: I do not have good information on whether they are actually trading with Europe. The farms I visited – and these were some of the largest Friendship Farms – were only selling in the regional markets.

Lord Crickhowell: But some of the Zambian trade is into the British market.

Chairman: I suspect that Tesco has more land grab in Africa than China does but maybe that is another inquiry! Lord Inge.

Q287 Lord Inge: We have touched to a certain extent on peace and security but I am still not clear what China's approach now is to peace and security in Africa, in peacekeeping. Is it on a country by country basis or is it country specific? Actually we talk about the European Union approach to Africa but in terms of security a lot of that is done on individual nations dealing with African nations. Does that also mean that some of the regimes they are supporting are regimes that we would consider undemocratic, repressive and dictatorial? It is quite an easy question to answer, is it not!

Dr Alden: Generally a yes or no question! Peace and security, there is an official position always in favour of it, etcetera, etcetera. I think their interest in Africa is stability, first and foremost. As they become more deeply involved and their investments are more exposed to the African environment, it could be said more generally that they are beginning to recognise some of the insights and experiences of longstanding actors, hence their change of position on questions of intervention, but with some key caveats – the intervention has to be accepted by the host government and obviously has to pass through African scrutiny, be it probably the African Union but also the UN Security Council if it is brought to the Security Council. I think they are looking currently – and in a way it comes to your question about Chinese security for its own interests and investments – at emphasising multilateral means of sustaining their interests and promoting stability. They see that as the avenue in Africa for doing that, as opposed to intervention, of course, which they would not favour. So that is their general policy. It is country by country. Sudan has experienced a very different change from, say, 2003 – the position of the Chinese to the contemporary position. *De facto* they do support – this non-intervention policy does support repressive and dictatorial regimes. The western interventionist policy none the less manages in certain instances to happily work alongside the same sorts of regimes. I am not an apologist for the Chinese in this but I do recognise that there are some hypocrisies at play in this.

Q288 Lord Inge: Does that also affect arms' sales and things like that?

Dr Alden: Chinese arms' sales?

Q289 Lord Inge: Yes.

Dr Alden: SPRI – the Swedish Peace and Research Institute – has put together some work on this recently but the bulk of Chinese arms' sales have been small arms. They have gone to primarily the Horn of Africa. They have found their way into the DRC. Again, how much of this is state policy or how much of this is the policy of the arms producing industry, which is increasingly active in seeking out new markets itself. The arms to Zimbabwe that came around the period of the election, looking at that closely these were deals that were done with perhaps a nod and a wink on the part of the government, but certainly between Chinese firms and the Zimbabwean counterparts the Chinese diplomats, once this hit the press, were as upset about it because it went against their own interests. This is about this diversity of interests.

Q290 Lord Inge: Are you saying that the Chinese Government has no control over its companies?

Dr Alden: No, I am saying that as far as I know that China is seeking to gain market share in the arms industry in Africa; that it is a very, very minor player with a few exceptions that I have mentioned; that probably Norinco and other companies would like to take up a larger position in that. I know in South Africa they have been unable to do so, probably the South Africans are in the same business themselves, and the degree of which that is conformed to as a closeness to Chinese policy generally, I cannot answer that particular question.

Q291 Lord Inge: There seems to be a conflict between what we think the European Union and the UK should be doing about Darfur and what China is doing. Do you think that the

European Union therefore ought to engage in a more robust discussion with China about what is happening in Darfur?

Dr Alden: I do not think China is the key any longer to solving the Darfur problem; I think China is actually on side. The current debate of course is around al-Bashir and the International Criminal Court. They have a different position which they draw from their own outlook but also they draw from the African governments which, on the whole, have been critical of this. I think that engagement is already there.

Q292 Lord Inge: Are you saying therefore that the European Union and China, as far as that is concerned, are on the same path?

Dr Alden: No. I am saying that on most areas they are; they still have some debates around things such as the question of al-Bashir and the criminal court, but coming to my very first comment on this set of questions the Chinese recognise that stability is a prerequisite to securing their interests and in general terms they would like a stable Africa and for those reasons they have changed their viewpoint on the Darfur question.

Q293 Lord Jay of Ewelme: I was very interested in what you were saying at the beginning of your answers to this set of questions about the degree of some flexibility and the Chinese approach and the extent to which as they get more involved they listen to perhaps or learn a little bit from others and that may open up some questions of how we negotiate or how we talk to them, which we are coming to in a moment. You also said, I think, that they preferred a multilateral approach; could you say a bit more about that? With whom and over what?

Dr Alden: I think at this stage in so far as there are conflicts, as they become more exposed to the African environment, and particularly that their biggest investment is in resources and the resources are in countries where political instability is either current or just completed a phase and they have moved out of that, they are looking to multilateral institutions – in

Somalia, into multilateral initiatives. They do not want to be taking action as the Chinese State in these things; they want in a sense the cover, if you like, of having international support, African support for any actions that would be directed towards gaining stability and resolving problems of conflict and the like.

Q294 Lord Jay of Ewelme: Let us take Somalia, for example. Who would they be looking for in that case as the cover? Are we talking about the African Union; are we talking about some kind of UN organisation? Who are we talking about?

Dr Alden: They took the lead when they were President of the UN Security Council to authorise action on the Somalia case. They look to the United Nations and/or the African Union, since it happens to be in Africa – there is the Peace and Security Council and the like. I think they are quite careful and systematic about making sure that they subscribe to the recognised political institutions that go to their bias for governments as opposed to civil society and other forms of actors.

Lord Jay of Ewelme: It seems to me this is a rather interesting set of issues because we started off by talking about China being rather exceptionalist in its approach and we are coming round to China actually wanting to work with others in finding solutions to some of these issues, so it has nuanced as the discussion has developed.

Q295 Chairman: Do you think that is a trend that will continue – that engaging more in that sort of structure is going to be something that China will do?

Dr Alden: I think it is almost inevitable. It is a process of taking an observer status on the DAC and participating or discussing extractive industries, the transparency initiative. All these are debates within the Chinese Government, the degree to which they should conform to and subscribe to. I think there are certain red lines though. I have heard the Chinese say more than once, quite emphatically, “We are not going to join the DAC committees; we do

not want to be seen in a committee of ex-colonial donor states; that is a step too far. But what we will do selectively on certain policy areas, we will change and play along,” particularly if they get African pressure. I think the key that we often forget is African governments can set the agenda for China and Africa. We under emphasise that, maybe because it is a difficult terrain; but they respond to Africa and they have said it very explicitly.

Chairman: It is an important point.

Q296 Lord Jay of Ewelme: I have heard it said that the Chinese have said that they would not wish to join any multilateral organisation in which they did not have a veto. Do you think that is true?

Dr Alden: I think that they make lots of statements and they then weigh each particular case individually.

Lord Anderson of Swansea: You have mentioned the tentative moves towards a political dialogue; are there any examples where China has involved itself in international financial or industrial competition? Are there examples where Chinese are main contractors or subcontractors along with western firms, or do they put a totally Chinese project before the applicants?

Chairman: I think we come on to that quite strongly in question 8; so if I could leave that to then, Lord Anderson, and maybe add into that? Perhaps we could move logically to Chinese corporations and Lord Crickhowell.

Q297 Lord Crickhowell: We have already touched on the question of how far the Chinese Government has control or influence over Chinese corporations in Africa. Do Chinese corporations in Africa respect human rights and environmental standards? Is there scope for dialogue with the EU on these questions? I am aware that China is not always very responsive to the EU telling them how to conduct human rights questions and so on, but there

are doubts. We referred to the paper on the Congolese situation and there are fears expressed in that paper about the lack of transparency about some of the conditions and the reports of poor treatment of workers and so on. How do you see these issues and the Chinese relationship, particularly with Europe? This is a European Committee; is this area where Europe can talk profitably or is it just going to be normal?

Mr Keeley: I think we can but we probably need the right starting point, which is to recognise that there have been issues around labour and Chinese contracts, and that there are projects where there appear to be negative environmental impacts, where there are ongoing environmental problems – damn projects are ones that are commonly cited. But notwithstanding these issues China is making serious efforts to develop environmental guidelines. The Ex-Im Bank has a set of guidelines which are published. The State-Owned Assets Supervision and Administration Commission, which is an extremely important body which is basically in charge of the state-owned enterprises has its own set of regulations as well; also the Ministry of Commerce, and some of those regulations I think encourage the use of local labour in construction projects and so on. So it is important to recognise that there is a positive trend towards trying to promote better impact assessment and more environmental responsibility amongst Chinese firms; and Chinese firms themselves, the large ones, are promoting CSR and publishing their own statements on CSR and so on. Yes, there is plenty of scope for dialogue, and one of the issues is whether China would really accept some of the OECD and World Bank standards on environmental governance. There seems to be some sort of sensitivity around that question.

Dr Alden: I would just echo this. I think this is a constructive area for engagements actually. I think the background to this in some sense is that the state-owned enterprises aspire to be world class multinational firms and they recognise – and you can see it on their websites – they dipped a toe in the CSR process and the like. They look to western, European firms as

the world class standard to which they hope to aspire. What worries me is another set of business actors – the small and medium enterprises. They are much more of the smash and grab variety and they are the ones in fact who have been withdrawing from Congo with the collapsed commodity prices. It is a classic that the juniors, if you like, in the mining industry, who come in, whose margins are much narrower, they flaunt labour standards, environmental standards and the like and they are the ones that are problem not just for – and I think here the Chinese I think would listen to Europe – the Africans and the like but they are a problem for the Chinese Government. The Chinese Government is being held accountable for private actors who break the standards and they are very worried about it; every embassy that has an economic council, you talk to them and they will tell you, “These guys do not register with us; we read about them in the press; we only hear about it when African labourers are killed or rights are violated,” or whatever. So the Chinese Government, I think, would be quite responsive in this area.

Lord Crickhowell: On the environmental issue, the growing interest of China and the whole question of the environment and so on, it is an obvious area where I think we would expect to talk. I get a sense which I find interesting. It is obviously much easier to talk to the Chinese about the human rights issues in the context of Africa than it is about in the context of China. If we talk about it in the context of China that is too close to home, but they may be quite happy to talk about these issues in the international context where they want, as you say, to measure up to world class standards. It is an interesting observation; thank you.

Q298 Chairman: Mr Keeley, were you trying to come in at the end there?

Mr Keeley: There is a human rights dialogue with China on Chinese human rights, and China would also have a perspective which emphasises a wide range of social and economic rights rather than just political rights. On the question of environmental impacts, forestry is another case, in Mozambique, particularly, where it has been very difficult for the Chinese

Government to control some of these small operators who have been very seriously involved in the stripping out of tropical hardwoods. In fact the Ministry of Commerce invited the International Institute for Sustainable Development and IIED to develop some recommendations on how China might deal with some of these issues and promote a more sustainable forestry strategy, and there are a range of issues in there and the recommendations from that study which provide ground for taking these things forward.

Q299 Chairman: Can I just clarify one thing? In the UK when we talk about small and medium sized enterprises we very specifically mean enterprises with less than 250 people unless it is covered by other definitions. Are we really talking about businesses in China that are as small as that and their interventions within Africa, or are we talking relatively?

Dr Alden: When I used the term I was thinking of not China, not the leading firms. I did not put a break as to a particular definition. Can I just bring back the arms issue for a second? The thing that surprises me – and I continually talk about this in African cities – the FOCAC meeting, the very first one, the Forum for Chinese-African Cooperation, which we saw in Beijing in 2006, China signed on to a commitment to reduce small arms sales. Nobody ever talks about it any more but it was one of their first commitments in their very first meeting and it seems to me that this is an area that should be pursued, I would have thought; that the African Union and the like would have pursued this more readily – they have committed themselves to publishing what they trade and reducing that. That is just one observation. On the control of Chinese firms, the fact of the matter is that China does not control the behaviour of these smaller firms, however defined, in its own backyard. The flouting of regulations, the reasons there is so much flouting of regulations in local settings is one of the reason for the peasant uprisings. The township ventures are actually selling land that they do not have the right to sell under the feet of the peasantry and the government does not seem able to stop

that. So one has to ask the question: the degree to which they would be able to control the same in a foreign country, a foreign setting.

Q300 Lord Jay of Ewelme: It has been a very interesting discussion and out of it has come a number of areas in which there clearly either is or I think we probably agree needs to be consultation or discussions between the EU and the Chinese in order to try to influence, help develop – whichever way you want to call it – their role in Africa. I just wondered what fora you thought would be the right ones to use for this? Where can the EU most effectively engage the Chinese? Is that through the EU-China dialogues that it has on human rights and other issues? Is that in the context of the UN; is that in the context of the IMF and the World Bank over development and debt issues and where would you see as the most productive way of the EU engaging with the Chinese on the sorts of issues we have been discussing today?

Dr Alden: I think in so far as the dialogue becomes prisoner to the question of human rights domestically within China it is probably going to be a weak setting. I do not think one should ignore it but I do think that you will continually run into the same set of positions that occupy the Chinese – “We will not talk about anything because you are bringing up a particular issue of our domestic environment.” So I think devising sectoral extractive industries, whatever the particulars, do it cumulatively around a particular issue that does not fold it into a larger consideration for Chinese state interests.

Q301 Lord Jay of Ewelme: G20 is a group – which I personally very much welcome and think it is probably here to stay, at least for a while – that the Chinese really think is absolutely fundamental there. Is that a grouping in which you think that these kinds of issue could be addressed? There, one way or another, you have China; you have South Africa and you have African countries, is that a forum in which you think these issues could be raised?

Dr Alden: Although it may sound contrary to what I have said, I think you have to bring it up in every setting but do not expect action to take place within that particular setting. On the question of Darfur, in 2002 I remember talking to the Swiss Government and various European governments about the Darfur issue and the position that seemed to be taken in every one of our bilateral meetings, much less the multilateral, “We are going to talk about Africa” – even though the Chinese do not want to talk about it, they want to talk about EU or bilateral issues. But if they hear it all the time in all settings the pressure to act is greater, so that would be a general point to make.

Q302 Lord Anderson of Swansea: Gentlemen, the conclusion I am drawing so far from your helpful contributions is that Chinese engagement with Africa is increasing; it is positive and using sovereign wealth funds and so on. The question is to what extent should we as the European Union seek a dialogue with African countries in respect of their commitment with Africa? Is there a readiness on their part to enter into such a dialogue in the EU-Africa partnership? And is there any attempt to assist the African countries to strengthen the capacity to dialogue with the Chinese? Also, that might be relevant for us in the Commonwealth context.

Dr Alden: I think that the Chinese are beginning to recognise that sustainable partnerships require effective partners on all sides, so African partners need to be – and it answers your last comment first in a sense – building the capacity of African governments to negotiate around issues that are particular to the Chinese-Africa debate is an important feature and the Chinese, who were less enthusiastic about that, I think are recognising the value in the same way we talk to some of the Chinese officials about this to say that the World Bank needed to put investments into ministries of finance in order to effectively manage the debt question and development question. I think that is one area. Are things being done? Both through DFID China and DFID Africa support capacity building on China-Africa issues.

Q303 Lord Anderson of Swansea: And the EU?

Dr Alden: The EU generally; there is an EU dialogue. I have attended some of the meetings and it has been exactly that – a dialogue. I am not sure that it has gone much further than that. One of the problems – if I can call it a problem – is that some of the African partners are deeply concerned about this being an EU-China discussion with a passive African component to it. It is again echoes of previous relationships where Africa is a sort of prostrate subject and the others are ---

Q304 Lord Anderson of Swansea: Carving up Africa.

Dr Alden: Exactly. So that to me is the major impediment to this dialogue; it is actually the African partnership side of it now for Africa. Africa can see the rationale for this more broadly and if they can see it fully in the interests, in the way I have just mentioned, effective negotiations, getting more out of the China relationship, getting more out of the EU relationship through this process, then I think the enthusiasm will be greater. The South African Government is very negative about this process, for instance – they see this in the terms you have just mentioned.

Q305 Lord Anderson of Swansea: Are there examples of the industries working together – the Chinese and European – in specific infrastructure consortia, for example, or where a Chinese entrepreneur or Chinese state institution would bring in a western corporation as a subcontractor or vice versa? Is there that degree of cooperation in Africa between China and western companies?

Dr Alden: On some of the controversial projects – the Maridi Dam is a consortium of European and Chinese firms involved in that. The distinction comes with Chinese-financed activities, where the Ministry of Commerce's tendering process is internal to Chinese firms and so they are the ones that do all the work; they are the only ones available to bid for the

contracts. But Chinese firms have bid for and worked in collaboration with any number of European firms on infrastructure projects.

Mr Keeley: Including oil investments in Nigeria as well.

Dr Alden: Here again it is about the expertise. They do not do deep water drilling – they do not have that expertise because of their historical experience, their oil has been land. So they look to that. There is a sideline here, is this about learning technology? I am not sure of the enthusiasm of some of the western firms about the technological gains of the Chinese firms when we then later go on to compete against them. I do not know; that is for the western businesses to decide, as to whether that is a good thing or not.

Mr Keeley: There is another aspect to this, which is Chinese investment in non-Chinese multinationals acquiring equity; and also investment in Chinese firms. As the equity ownership changes, the potential for exchange and dialogue also shifts slightly as well.

Q306 Lord Crickhowell: Apart from passing reference a moment ago to grilling expertise we have not at all touched this morning on a subject which you actually listed as one of the three key resources issue right at the start, which was energy. This Committee a year or so ago completed an inquiry on the EU and Russia and the energy of course was of absolutely central importance for Europe in connection with Russia. Russia is making very vigorous attempts to extend its energy resources into the African continent and I wonder if there is any area here of potential conflict with Russia and potential importance to the EU relationship? What is the principle way in which China is seeking to develop energy resources in Africa? It is not a subject that you have actually talked about at all except in that initial reference.

Dr Alden: It is seeking out positions, leasing agreements and developing unexplored fields, primarily in the Sudanese case, the latter case. Clarify if I get this wrong in terms of your question, but they are bidding alongside the standard annual bids that are made for particular oil leases in the Gulf of Guinea States, West Africa. A colleague of mine has done work,

looking very specifically at the role of China in West Africa in the oil sector and his suggestion is that as a whole they are not competing, they are actually complementing. They may be taking up new positions but they are not driving out – the bulk of deals have already been done and have been captured, with the exception of Sudan, hence its importance once the west pulled out – hence the importance of Sudan to China. The competition factor is less there than you would expect. There may be competition around getting a particular lease but it is not a zero sum game where European interests are being driven out by Chinese interests. Your point about Russia?

Q307 Lord Crickhowell: Russia is going very vigorously to try and develop really substantial links with some of the energy resources – gas and other resources – in Africa, and there is a potential for conflict on energy issues elsewhere in the world – a very considerable one – between Russia and China, and I was therefore wondering if there was any spill over into the African situation.

Dr Alden: I have not seen it in the debates within China on the Russian position. Where I have seen it more is in India, as far as the emerging markets are concerned, and India has a much more dire life of energy profile and they have competed directly and lost time and again to Chinese interests, although there are instances of collaboration with Indian firms for instance in Sudan. So it is a mixed picture at this stage.

Q308 Chairman: Coming on to our last question, which is really a capsule and to ask if there is anything else that we have not really covered, particularly from your own experience that you think would be useful to the Committee. We have quite obviously concentrated on Africa and you are both Africa experts but I would be interested in a comment as to whether you think China's approach to Africa is unique in its own way, or is this replicated elsewhere within the developing world? Mr Keeley, if I could ask you to start?

Mr Keeley: There are aspects that are replicated elsewhere. The interest in securing a long term supply of resources, we can see that very clearly in Latin America. The Chinese Vice Premier recently toured several Latin American countries and announced similar package deals [to those in Africa]. In Venezuela there is a development fund to which China is contributing; there are various long term agreements for supply of oil from in Brazil and Venezuela that have been agreed. So you can see a certain similarity. Also in Southeast Asia there is a similar interest in resources; in Vietnam, Laos, Malaysia and Indonesia and so on. Probably what is different with Africa is some of the institutions that have been set up, like the China-Africa Development Fund, and the high profile Forum on China-Africa Cooperation. So there are similarities but also differences.

Dr Alden: The commercial drivers of the going out policy remain similar across different regions within the developing world and indeed the developed world. In the context of this global crisis China is interestingly looking to invest in another resource country but a developed one – Australia; they have been putting a lot of attention and resources into that. So the pattern of the need is there and the willingness to take up positions in developing and developed countries in resources remains a key driver across the board. I would agree with what James said about the institutional distinctiveness of the African relationship. I would draw it back to that earlier comment about Taiwan. The forum about Chinese-Africa cooperation, it is a Ministry of Foreign Affairs initiative and I think it has evolved into something else. It has highlighted other features but I think at the bottom of it was a way to crowd out the Taiwanese space. Again, I do not think the Chinese would initiate it for just one reason, but that is a thread that runs through this. The other thing I would say that distinguishes China's relationship with Africa and be, I believe, a source of friction is Chinese migration. China is poised to be the largest trading partner, if not the largest investor, etcetera. They make much about their historical experiences as distinctive; we are all

developing countries, etcetera. The thing that actually distinguishes them from Europe and the United States and Canada is that they are sending migrants – and I say “sending”, migrants are going to Africa and you do not see that same pattern coming from Britain, France or what have you. What that is doing is changing the nature of that relationship and where China was welcomed with open arms a few years ago there is some ambivalence, and that is from the ground up, because of this – what are all these Chinese doing here? So that also is one of those areas that need to be flagged in future.

Q309 Chairman: Is some of it permanent migration, an actual settlement?

Dr Alden: We had a meeting at the LSE the day before yesterday by *the* leading academic, a guy from Singapore, on migration and he uses the term “sojourners”; that is to say, people who migrate but in fact always plan to go back and do often maintain strong links, and of course that has been the Chinese pattern – to maintain links. The answer to that depends on if you are Chinese or if you are Zambian or Angolan or South African how you view the activities of the Chinese that you meet.

Q310 Lord Anderson of Swansea: Our focus as a Committee is the European Union and China. Ultimately we will have to make conclusions and recommendations. Given your expertise on China where do you think institutionally or otherwise helpful recommendations could be made?

Dr Alden: I need clarification. What do you mean, helpful recommendations for European policy?

Q311 Lord Anderson of Swansea: In respect of the relationship of the European Union and China, how that can be constructively promoted in what is likely to be an increasing mutuality of interest in respect of Africa?

Dr Alden: For instance the European Commission's Development Commission has played a role and that is one of the avenues for discussing and opening debates on questions about conformity of development practice; and one can raise the question of poverty reduction as a goal. That is one institution that I think has already taken some initiatives in engaging China on Africa and I think that can be bolstered.

Q312 Lord Anderson of Swansea: Where are we going? Where will we be in five years' time? How can we, the EU and China constructively develop dialogue in areas where there are mutual concerns – corruption, or whatever? Are there any particular areas which you would like to bring to our attention?

Mr Keeley: Working on the EITI I think is a key one because it is an incredibly important initiative and having a conversation looking at what the obstacles are to China joining the EITI and how it might need to be reframed would be interesting to the Chinese stakeholders and I think is important. Another area of interest is really this question that Chris has mentioned several times, which is this African perspective and I think really supporting the African institutions, so the AU, NEPAD, SADC, the West African institutions and so on, to build their own capacity to engage with China would be valuable. Perhaps one issue that the AU and NEPAD might push for is for the Forum on China-Africa Cooperation to have a more permanent presence with African representation in it, so that some of these recommendations or announcements that come out can be taken forward in a more constructive and transparent way than perhaps they have been to date, following the pattern of periodic announcements and periodic summits.

Chairman: Thank you very much indeed, that has been most helpful. I am very interested in the migration which has not come out at all actually in anything else that we have done and that is perhaps something we might think about more. We think of a monolithic China into Africa – or perhaps some of us do, I cannot speak for everybody here – but what has come

over to me is the fragmentation in terms of China in terms of that, whether it is corporations, small and medium size businesses, farmers, provinces or the state itself and which part of the state. So I think that is certainly something that we will take away with us. Thank you both very much indeed for giving your evidence.