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**Table of contents**

**1. THE EU-CHINA RELATIONSHIP ARRIVING AT A BOTTLENECK—A LOOK AT THE ONGOING NEGOTIATION OF THE PCA**  
**ZHANG Jiao ..... 2**

**2. FOOD SAFETY IN THE EUROPEAN UNION AND CHINA: THE MELAMINE CASE**  
**POMS Roland, PEI Xiaofang, SPICHTINGER Daniel ..... 9**

**3. THE EU POLICY RESPONSE TO CHINA’S RESOURCE DIPLOMACY IN AFRICA**  
**STAHL Anna Katharina ..... 16**

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## THE EU-CHINA RELATIONSHIP ARRIVING AT A BOTTLENECK—A LOOK AT THE ONGOING NEGOTIATION OF THE PCA

ZHANG Jiao\*

Negotiations for a new comprehensive framework agreement reflecting the full breadth and depth of today's comprehensive EU-China relations – the EU-China Partnership and Cooperation Agreement (PCA) – were preliminarily considered at the 7<sup>th</sup> EU-China summit, announced at the 9<sup>th</sup> summit, and formally launched in January 2007. As shown by the Joint Statement of the 9<sup>th</sup> summit,<sup>1</sup> the EU-China PCA would be divided into two parts: one envisaged the upgrading of the 1985 Trade and Economic Cooperation Agreement (TECA);<sup>2</sup> the other aimed to provide the legal basis for political, social, and cultural cooperation. Nevertheless, the negotiation encounters difficulties and moves on slowly.

As a result of the rapid development of the EU-China partnership in a wide range of areas in recent years, the 1985 TECA is no longer adequate to serve bilateral cooperation. A new agreement is to upgrade and to complement the old one; the new PCA can be used as a platform and a basic legal framework for future developments in the EU-China relationship.

For the EU, a PCA with third countries can help fulfil its global strategy.<sup>3</sup> In the 1990s, the EU concluded 9 similar PCAs with various Eastern European and Central Asian countries, including Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, the Ukraine and Uzbekistan (the “first generation of the PCAs”).<sup>4</sup> In 2004, another EC-Tajikistan PCA was signed.<sup>5</sup>

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<sup>1</sup> See the fourth provision of the Joint Statement of the Ninth EU-China Summit: Ministry of Foreign Affairs of the PRC, *Joint Statement of the Ninth EU-China Summit*, Beijing, 10 September 2006, [http://www.fmprc.gov.cn/chn/pds/gjhdaq/gj/oz/1206\\_46/1207/t271095.htm](http://www.fmprc.gov.cn/chn/pds/gjhdaq/gj/oz/1206_46/1207/t271095.htm), retrieved 10 September 2010.

<sup>2</sup> European Commission and the People's Republic of China, *Agreement on Trade and Economic Cooperation between the European Economic Community and the People's Republic of China*, OJ L 250, 19 September 1985.

<sup>3</sup> An interesting aspect of the EU's approach to international relations is its emerging focus on regional forms of cooperation. Usually, for countries of different regions there are corresponding legal instruments. For instance, Framework Cooperation Agreement is for Latin American countries; Euro-Mediterranean Agreement is for Mediterranean partner countries; Cotonou Agreement is for African, Caribbean and Pacific (ACP) countries; and PCA is for East Europe and Central Asia (and now extend its application to other Asia countries). More analysis on previous PCAs, see Zhang Jiao, “Bring the Partnership and Cooperation Agreement to New Heights? – Implications for the Prospective EU-China PCA”, *Faculty of Law Bulletin*, No. 30, University of Macau, upcoming.

<sup>4</sup> See *EC-Russia PCA*, [1997] OJ L 327/3, entry into force on 1 December 1997; *EC-Ukraine PCA*, [1998] OJ L 49/3, entry into force on 1 March 1998; *EC-Moldova PCA*, [1998] OJ L 181/3, entry into force on 1 July 1998; *EC-Kazakhstan PCA*, [1999] OJ L 196/3, entry into force on 1 July 1999; *EC-Kyrgyzstan PCA*, [1999] OJ L 196/48, entry into force on 1 July 1999; *EU-Georgia PCA*, [1999] OJ L 205/3, entry into force on 1 July 1999; *EC-Uzbekistan PCA*, [1999] OJ L 229/3, entry into force on 1 July 1999; *EC-Armenia PCA*, [1999] OJ L 239/3, entry into force on 1 July 1999; *EC-Azerbaijan PCA*, [1999] OJ L 246/3, entry into force on 1 July 1999.

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After that, the EU launched PCA negotiations with some other Asian countries, including Indonesia, Malaysia, Singapore, Thailand, Philippines, Brunei, Vietnam, Iraq, and China (the “second generation of the PCAs”).<sup>6</sup> These PCAs serve as a kind of mixed agreement, created to manage the EU’s relations with Eastern European and Asian countries. They provide a comprehensive legal framework for political and economic relations, and promote European and/or international standards.

However, unlike the EU practice, concluding a PCA is not a usual practice in Chinese foreign policy, and thus China may not be sufficiently interested in doing so. This may partly explain why the negotiation of the PCA is on two tracks, and why the current central focus is on upgrading the TECA.

On the one hand, since such an agreement covers various areas that are large in scale and wide in scope, it is unrealistic to expect problem-free negotiation. On the other, negotiating the PCA does provide a great opportunity for the two sides to tackle significant challenges faced by their relationship. Currently, this relationship seems to be arriving at a bottleneck, as common interests have already been exploited and differences cannot be intentionally neglected any more. That is to say, in order to further develop the relationship, problems resulting from differing ideologies and political systems must be seriously and constructively dealt with. The question is whether or not the EU and China will take this opportunity to upgrade their relationship.

### **Major problems in the negotiation of the EU-China PCA**

#### Different expectations

The EU and China have different expectations of each other. The EU wants China to take on more international responsibility and believes that China could develop in accordance with the European mode or standard. China, however, wants the EU to assist its domestic development, and expects the EU to respect the Chinese model of development. As the EU becomes increasingly influential in world affairs, it prefers to settle international disputes via peaceful negotiations, and supports multilateralism. This is welcomed by China. Difficulties arise, however, when the EU actively promotes its values and political system in other countries, especially in developing countries. Sometimes, it interferes in the state affairs of these countries. China, by contrast, sticks to the Five Principles of Peaceful Coexistence, and is against any form of external interference in its internal affairs.

The EU and China also have different expectations of the new EU-China PCA. Generally speaking, the EU is more ambitious, whereas China is

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<sup>5</sup> The *EU-Tajikistan PCA* has entered into force on 1 January 2010.

<sup>6</sup> The *EU-Indonesia PCA* has been signed on 9 November 2009, see Council of the European Union, *Joint Press Statement*,

[http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/er/111114.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/er/111114.pdf),

retrieved 2 May, 2010; Negotiation for the *EU-Iraq PCA* is now entering final stage, see European Union @ United Nations, *EU-Iraq: Negotiations for Partnership and Cooperation Agreement enter final stage*,

[http://www.europa-eu-un.org/articles/en/article\\_9213\\_en.htm](http://www.europa-eu-un.org/articles/en/article_9213_en.htm), retrieved 2 May, 2010.

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more pragmatic. The EU expects that this PCA may serve as a single framework covering the full range and complexity of the bilateral relationship.<sup>7</sup> Priorities of the EU include supporting China's transition towards a more open and plural society; sustainable development; trade and economic relations.<sup>8</sup> Nevertheless, China's expectation of this PCA may focus more on the upgrading of the 1985 TECA.

With regards to political issues, China usually prefers to manage these issues with soft law. Even if the EU and China touch upon these issues in the PCA, clauses which may arbitrarily promote the EU's values in China's development model, and which may substantively provide the EU with a basis to interfere in China's fundamental internal affairs, would not be accepted by China. What China expects is an equal, mutually respectful and mutually beneficial relationship.

### Upgrading the 1985 TECA

By upgrading the 1985 TECA, China hopes that the EU will recognise China's full market economy status (MES). The recognition of China's MES is not only related to anti-dumping cases in bilateral trade relations, but has profound political and economic implications.<sup>9</sup> The EU seems to take it as a bargaining chip in exchange for China's concession on other economic or political matters.<sup>10</sup>

The EU's main interests in upgrading the 1985 TECA are to urge China to fulfil its WTO commitments, and to protect the EU's trade and investment in China.<sup>11</sup> Linking the WTO documents, especially China's Accession Protocol<sup>12</sup>,

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<sup>7</sup> European Commission, Communication from the Commission to the Council and the European Parliament, *EU-China: Closer partners, growing responsibilities*, COM(2006) 631 final, Brussels, 24 October 2006, p. 4.

<sup>8</sup> See *ibid.*, pp. 4-11. It shall be noted that as expressed by the Communication itself, the PCA "should be forward-looking and reflect the priorities outlined in this Communication".

<sup>9</sup> Zeng Lingliang and Zhang Ying, "Non-market economy issues in Sino-EU relations: a purely technical matter or beyond?", in Paulo Canelas de Castro (ed.), *The European Union at 50: Assessing the Past, Looking Ahead*, University of Macau, 2009, pp. 250-380.

<sup>10</sup> See Kerry Brown and Stanley Crossick, "The EU and China: Time for a Change?", *Asia Programme Paper*, ASP PP 2009/03, Chatham House, 2009, p. 10, [http://www.chathamhouse.org/sites/default/files/public/Research/Asia/1109pp\\_euchina.pdf](http://www.chathamhouse.org/sites/default/files/public/Research/Asia/1109pp_euchina.pdf), retrieved 9 August 2011; Also see Dong Zhixin, "EU mulls giving China market economy status: WSJ", *China Daily*, 25 June 2007, [http://www.chinadaily.com.cn/china/2007-06/25/content\\_901911.htm](http://www.chinadaily.com.cn/china/2007-06/25/content_901911.htm), retrieved 9 August 2011.

<sup>11</sup> See *op.cit.*, European Commission, COM (2006) 631 final, *supra* note 7, p. 7. In the document, it says: "Nevertheless, in Europe, there is a growing perception that China's as yet incomplete implementation of WTO obligations and new barriers to market access are preventing a genuinely reciprocal trading relationship". Besides, the Communication has a list of action objectives which the EU will insist to achieve: insist on openness; level the playing field; support European companies; defend the EU's interest; dialogue first; and build a stronger relationship. Also see European Commission, , Commission Working Document Accompanying COM(2006) 631 final: *Closer partners, growing responsibilities, A Policy Paper on EU-China Trade and Investment: Competition and Partnership*, COM(2006) 632 final, Brussels, 24 October 2006.

<sup>12</sup> World Trade Organization, Decision of 10 November 2001, *Accession of the People's Republic of China*, WT/L/432, 01-5996, Geneva, 23 November 2001.

## InBev-Baillet Latour Chair of European Union-China Relations



with the new PCA, is an important task of the PCA negotiations,<sup>13</sup> as the WTO documents are the most effective tools for the EU to safeguard its trade interests in China. In the field of foreign investment, the EU hopes to conclude an EU-China investment agreement.<sup>14</sup>

### Political, social, and cultural issues

In the negotiations, three questions need to be addressed: whether the new 'agreement' would take the form of hard law or soft law? Which issues would be included? The extent to which these issues will be negotiated?

Regarding the first question, hard law is usually used in areas where cooperation between the two parties is relatively mature, and in areas in which they have more common interests and fewer disparities. Soft law, by contrast, is primarily used in newly emerging areas, and in areas where the two parties have common interests in their general objectives but have less of a mutual understanding as to how to realise these objectives.<sup>15</sup> If the EU and China can reach a formal agreement, it should belong to hard law. Nevertheless, considering the different political systems and ideologies of the EU and China, there is a possibility that the two parties will choose soft law to govern these political, social, and cultural issues. If soft law is indeed the outcome of the negotiation, it cannot be regarded as a success, especially from the EU perspective.

Since the PCA is designed to be a comprehensive agreement, almost all of the issues of bilateral concern should be put on the negotiation table, including difficult issues.<sup>16</sup> The first difficult issue is how to incorporate the EU's values of democracy, human rights, rule of law and good governance into the PCA. Promoting the EU's values on the world stage is one of the objectives of the Lisbon Treaty. However, China has a different understanding of these values to that of the EU. Thus, designing the clause is difficult. Another two difficulties concern the human rights dialogue and the protection of fundamental rights and freedoms. The EU continues to press China for ratification of the International Covenant on Civil and Political Rights, as well as the Rome Statute of the International Criminal Court. Nevertheless, China has great difficulties in ratifying these two documents because of its domestic conditions.<sup>17</sup> Besides from this, the arms embargo continues to be one of the

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<sup>13</sup> See Antoine Sautenet, "The Current Status and Prospects of the Strategic Partnership between the EU and China: towards the conclusion of a Partnership and Cooperation Agreement", *European Law Journal*, Vol. 13, Issue 6, November 2007, pp. 699-731.

<sup>14</sup> European Metalworkers' Federation, *EU-China Investment Agreement*, Brussels, 21 March 2011, <http://www.emf-fem.org/Industrial-Sectors/ICT/Resource-Centre/China/EU-China-investment-agreement>, retrieved 28 July 2011.

<sup>15</sup> However, it shall be noted that the application of soft law is larger than the application of hard law. Even in areas where hard law has already been adopted, parties can still adopt soft law to lay down guidelines, principles, etc.

<sup>16</sup> More analysis on issues in negotiating, please see Zeng Lingliang, "Zhongguo Huoban yu Hezuo Xieding Tanpan: Wenti, Jianyi yu Zhanwang (Negotiation of the EU-China Partnership and Cooperation Agreement: Issues, Suggestions and Prospects)", *Social Sciences in China*, vol. 2, 2009.

<sup>17</sup> China is reforming the Chinese legal system to ensure compliance with the Covenant. See Wen Jiabao, "Zhongguo Jiang Jinkuai Pizhun Zhengzhi Quanli he Gongmin Quanli Guoji



## InBev-Baillet Latour Chair of European Union-China Relations



difficult issues.<sup>18</sup> A newly emerged difficulty is how to cooperate in international affairs. Although the EU and China have cooperated on some occasions, they have failed to show a real strategic partnership in any significant international affair.<sup>19</sup> In addition, due to the different policies of China and the EU towards Africa, China-Africa-EU relations have become a new problem.<sup>20</sup>

The answer to the third question is, in fact, dependant on the answers to the above two questions. That is to say, first, that it depends on the form of the final agreement. If the two sides choose hard law, the final agreement may be more practical and enforceable. However, the relevant clauses may be restricted to the cooperation framework; mechanisms; general principles; schedules for certain substantive cooperation and commitments fulfilment. If the two sides choose soft law, more areas will be addressed with more ambition, but actual results may be less. Secondly, the answer to the third question also depends on which area is negotiated. Sensitive issues would be negotiated in-depth, while less compromise could be made. Insensitive issues would be negotiated more practically and in detail, and more compromise could be made. Since the PCA is a framework agreement, it cannot be expected to solve all the substantive problems existing in the EU-China relationship. What can be expected is that the PCA may serve as a good foundation which can provide mechanisms and schedules for settling tough issues gradually.

### **Prospects for the EU-China PCA**

There is no way for the EU and China to conclude a PCA quickly, not only because China is different from the EU's previous PCA contracting parties, but also because many of the previous PCA contracting parties are the EU's neighbouring countries and the EU developed its European Neighbourhood Policy (ENP) in 2004. Although the EU has experience in concluding PCAs, to conclude a PCA with China is a new challenge. Although the EU-China PCA may look like the previous PCAs in the titles of the articles and the structure, substances may differ a lot.

The Trade Sustainability Impact Assessment (SIA) of the Negotiation of a Partnership and Cooperation Agreement between the EU and China points

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Gongyue (China will ratify the Covenant as soon as possible)", *China.org.cn*, 18 March 2008, [http://www.china.com.cn/2008lianghui/2008-03/18/content\\_12951814.htm](http://www.china.com.cn/2008lianghui/2008-03/18/content_12951814.htm), retrieved 11 August 2011. The most difficulties for China to ratify the Covenant are China's policy on death penalty and education through labour system. As to why China has not acceded to the International Criminal Court: see Ministry of Foreign Affairs of the PRC, *China and the International Criminal Court*, Beijing, 28 October 2003, <http://www.mfa.gov.cn/eng/wjb/zjg/tyfls/tyfl/2626/2627/t15473.htm>, retrieved 11 August 2011.

<sup>18</sup>See Kristin Archick, Richard F. Grimmett, and Shirley Ken, "European Union's arms embargo on China: Implications and Options for US Policy", *CRS Report for Congress*, updated 27 May 2005, <http://www.fas.org/sgp/crs/row/RL32870.pdf>, retrieved 11 August 2011.

<sup>19</sup>Chen Zhimin, "Xin Duoji Huoban Shijiezhong de Zhongou Guanxi (China-EU Relations in a New Multi-polar and Multi-partnership World)", *Chinese Journal of European Studies*, Vol. 28, No. 1, February 2010, p.4.

<sup>20</sup>See Jing Men and Benjamin Barton (eds.), *China and the EU in Africa: partners or competitors?*, Ashgate Publishing, 2011.

## InBev-Baillet Latour Chair of European Union-China Relations



out that “global analysis reveals that trade liberalisation in the context of the PCA largely brings with it economic gains to both the EU and China”; “the social impacts of a PCA between the EU and China are complex and depend on the means of analysis”; “within the SIA a number of positive and negative environmental impacts are expected following completion of the PCA”.<sup>21</sup> The assessment is quite objective; however, current negotiations are rather tough.

In order to adapt to the enlargement of the EU and the ever-changing international situation, the Lisbon Treaty entered into force at the end of 2009. The Lisbon Treaty not only gives impetus for the EU's internal development but also increases the EU's capacity to act in international affairs. However, the Lisbon Treaty is still in its infancy: the new High Representative of the Union for Foreign Affairs and Security Policy and the European External Action Service just started their work, and new competence allocation between the EU and Member States, as well as among EU institutions, still needs time to function well. Moreover, China will hold the National People's Congress (NPC) and elect its new President in March 2013. If the PCA negotiation cannot be finalised before early 2013,<sup>22</sup> the task to conclude an EU-China PCA will be allocated to the next NPC.

Nevertheless, negotiations on upgrading the 1985 TECA may be finalised before 2013 and an Interim Agreement on trade and trade-related matters may be implemented as an initial step. Due to the fact that both the EU and China are facing great internal challenges these years, internal evolution of the EU and China may constitute one of the reasons why negotiations over the new PCA are conducted so slowly.<sup>23</sup>

Moreover, as mentioned earlier, China does not have a sufficient incentive to conclude such a PCA. The practice of Chinese foreign policy shows that China does not prefer to conclude comprehensive, legally binding bilateral agreements. Even if without a new PCA, the EU-China relationship can still be maintained through political dialogues, sectoral cooperation and some other institutional arrangements.<sup>24</sup> If the EU intends to transfer its own values and standards to China regardless of China's own development mode and national situation, China would be more passive in negotiations.

However, the most vital reason for the slow pace of the negotiations may be related to the entire status of the EU-China relationship. The EU-China relationship developed rapidly in the past decade. Yet, it is arriving at a bottleneck currently. If the EU and China desire to upgrade their relationship,

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<sup>21</sup> Emerging Markets Group and Development Solutions, *Trade Sustainability Impact Assessment of the Negotiations of a Partnership and Cooperation Agreement between the EU and China – Final Report*, August 2008, a project financed by European Commission – DG Trade.

<sup>22</sup> In view of previous experiences, PCA negotiations usually took 5-6 years. Negotiations of the EU-China PCA were formally launched in 2007. However, considering the complexity of the EU-China relationship and the fact that negotiations are conducted extremely slowly currently, negotiations of the EU-China PCA may not be finalized before 2013. Besides, ratification of the PCA may take another 5-6 years.

<sup>23</sup> See Brian Colin, “Obstacles in Upgrading the 1985 Trade and Economic Cooperation Agreement between the EU and China”, *EU-China Observer*, Issue 2, 2010, pp. 9-13.

<sup>24</sup> As to basic documents in EU-China relations, see Francis G. Snyder, *The European Union and China, 1949-2008: basic documents and commentary*, Oxford, Hart Publishing, 2009.





## InBev-Baillet Latour Chair of European Union-China Relations



they first have to upgrade their mutual understanding and mutual trust. Whether or not the relationship can successfully break through the bottleneck depends on the capacity of the two sides to deal with their disparities.

Nevertheless, the negotiation of a new EU-China PCA should be regarded as an opportunity. The outcome of the negotiation – the PCA – would be significant,<sup>25</sup> and the negotiation itself is also important. It provides a platform for the EU and China to discuss all the issues of the EU-China relationship, and opens a window for enhancing mutual understanding and mutual trust. Thus, whether the EU-China relationship breaks through the bottleneck or not can be viewed from the negotiation of the PCA. If the PCA could be concluded successfully, with significant breakthroughs in sensitive issues and substantive cooperation clauses in various areas, the EU-China relationship would really be upgraded.

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<sup>25</sup> More analysis on the prospective EU-China PCA, see Jing Men and Giuseppe Balducci (eds.), *Prospects and Challenges for EU-China Relations in the 21<sup>st</sup> Century: the Partnership and Cooperation Agreement*, Brussels, Peter Lang, 2010.



## FOOD SAFETY IN THE EUROPEAN UNION AND CHINA: THE MELAMINE CASE

Roland Poms, Xiaofang Pei, Daniel Spichtinger \*

With the rise of globalisation, more and more foods and food products are traded around the world. Reliable food analysis techniques are necessary to ensure that these foods are of a high quality and safe to eat when they reach consumers. While different countries use different methods to test harmful substances in food, the level of reliability, comparability and acceptability of these methods can be improved through international collaboration. The 2008 melamine crisis is one example which demonstrates global interconnections between geographically distant regions and how an event in one country can quickly affect the global community and require global solutions. This paper starts with an overview of food safety regulatory mechanisms in the EU and China and then discusses the melamine crisis as a case study. The work presented here has, to a significant degree, been achieved through the MoniQA (Monitoring and Quality Assurance) Network of Excellence,<sup>1</sup> which brings together scientists from around the globe to work together on food safety issues, to share knowledge and to build competence.

### **Food Safety Regulations in the EU**

The European Union is both the largest importer and the largest exporter of food and beverages with exports amounting to €58 billion and imports to €57 billion. Within the EU, food and drink products generate an annual turnover of €945 billion. The industry consists of 310,000 companies in Europe (99% of them SMEs) and employs 4.2 million people. On the micro-level, European households spend a significant proportion of their income (12.7%) on food and non-alcoholic beverage. This percentage is even higher for vulnerable groups such as the unemployed and the retired. Climate change is a variable that needs to be factored in – the agricultural sector is responsible for 9.3% of EU greenhouse gas emissions in the EU 15 alone.<sup>2</sup> This adds an important

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<sup>1</sup>The MoniQA Network of Excellence is funded by the European Commission (Contract NO. FOOD-CT-2006-36337) within the Sixth Framework Programme Topic T5.4.5.1: Quality and safety control strategies for food (NOE). For more information, see [www.moniqa.org/melamine](http://www.moniqa.org/melamine).

<sup>2</sup> For these figures and more details see the following publications: Eurostat, *EU-27 consistent world leader in trade of food*, Luxembourg: Office for Official Publications of the European Communities, 2009. [http://www.eds-destatis.de/de/downloads/sif/sf\\_09\\_078.pdf](http://www.eds-destatis.de/de/downloads/sif/sf_09_078.pdf), retrieved 22 August 2011.

## InBev-Baillet Latour Chair of European Union-China Relations



economic dimension to food and nutrition policy, linking it with the EU 2020 strategy and the so-called “knowledge based bio economy”. In the meantime, the public has a rising concern about food quality and safety which policy makers cannot afford to ignore. For example, one public opinion survey found that that the safety of food products is the number one agricultural topic where the public wants more information.<sup>3</sup>

Following the food crises of the 1990s (such as BSE and dioxins), the European Union passed a regulation which laid down the general principles and requirements of food law (Regulation 178/2002). This led to an integrated approach to food safety – referred to as “from the farm to the fork” – which aims to assure a high level of food safety, animal health, animal welfare and plant health within the European Union.<sup>4</sup> A variety of measures (legislative and otherwise) have been implemented to realise this goal. One of these is a pan-European Database; the Rapid Alert System for Food and Feed (RASFF),<sup>5</sup> which has been put in place, helping exchange information about measures taken in response to serious risks detected in relation to food or feed. Whenever a member of the network has any information about the existence of a serious direct or indirect risk to human health deriving from food or feed, this information is notified to the Commission under the RASFF. The Commission immediately transmits this information to the members of the network – namely the national authorities of the 27 EU member states and EFTA.

The 2002 regulation also established another important actor in EU food safety matters: the European Food Safety Authority (EFSA). Based in Parma, Italy, EFSA produces independent scientific opinions and advice to provide a sound foundation for European policies and legislation and to support the European Commission, European Parliament and EU Member States in taking effective and timely risk management decisions. EFSA works with 1500 individual scientists and 300 institutions as well as with representatives of national food safety agencies.

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Confederation of the Food and Drinks Industries of the EU, *Annual Report*, Brussels, 2010. [http://www.fooddrinkeurope.eu/uploads/publications\\_documents/Annual\\_Report\\_2010.pdf](http://www.fooddrinkeurope.eu/uploads/publications_documents/Annual_Report_2010.pdf), retrieved 22 August 2011.

Eurostat, *Europe in Figures*, Luxembourg: Office for Official Publications of the European Communities, 2009 p. 252. [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-09-001/EN/KS-CD-09-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-09-001/EN/KS-CD-09-001-EN.PDF), retrieved 22 August 2011.

Eurostat, *From farm to fork statistics*, Luxembourg: Office for Official Publications of the European Communities, 2008, p.162. [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-30-08-339/EN/KS-30-08-339-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-30-08-339/EN/KS-30-08-339-EN.PDF), retrieved 22 August 2011.

<sup>3</sup> Eurostat, *Eurobarometer 276*, Luxembourg: Office for Official Publications of the European Communities, 2006. [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_276\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_276_en.pdf), retrieved 22 August 2011.

<sup>4</sup> For details see Liana Giorgi, and Line Friis Lindner, “The contemporary governance of food safety: taking stock and looking ahead”, *Quality Assurance and Safety of Crops & Foods*, Vol. 1, No. 1, 2009, pp. 36-49.

<sup>5</sup> See European Commission, *The Rapid Alert System for Food and Feed (RASFF) Annual Report*, Luxembourg: Office for Official Publications of the European Communities, 2009, [http://ec.europa.eu/food/food/rapidalert/docs/report2009\\_en.pdf](http://ec.europa.eu/food/food/rapidalert/docs/report2009_en.pdf), retrieved 22 August 2011.

## InBev-Baillet Latour Chair of European Union-China Relations



### **Food Safety Regulations in China**

In the last ten years, the annual industrial output of food in China has seen an increase of 20% and reached 4.2 trillion Yuan (US\$ 17.6 billion) in 2008. However, China also faced several food safety crises: from 2000 to 2008, there were 3,034 outbreaks of foodborne diseases, with the majority pertaining to microorganisms. Before 2009, the food supervisory system in China was fragmented, with different departments taking care of specific links in the food chain. The slow response to the melamine crisis was partially due to the fact that the supervision of milk stations was split between the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and the Ministry of Agriculture (MOA).

In 2009, China passed a new Food Safety Law.<sup>6</sup> The most important changes in the new law are as follows:

- One single Food Safety Standard is recognised in China (replacing the previous two standards, Food Hygiene Standard and Food Quality Standard);
- A newly established Food Safety Committee is the general coordinator for food safety in China;
- Food producers and operators are the persons of primary responsibility for product quality and food safety, and the local governments' responsibility for local food safety supervision are established;
- Systems for withdrawal for disqualified food in the market, and monitoring and assessment of food risks are established to reduce possible food hazards to the minimum and enhance the ability to cope with food risks;

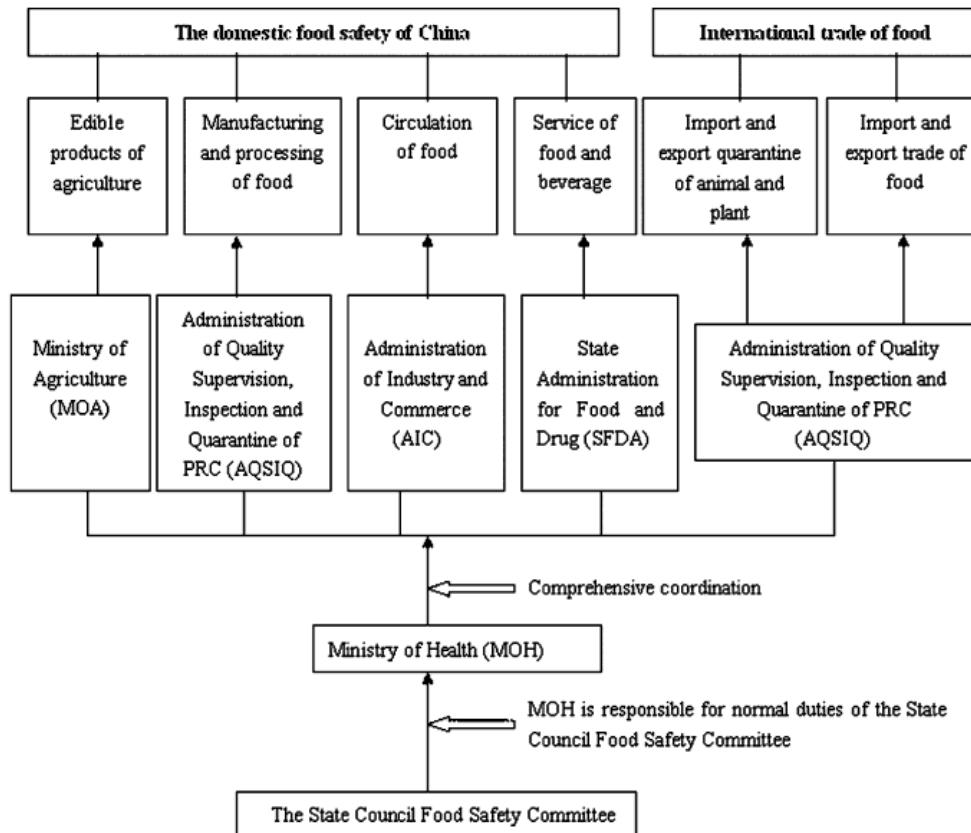
The supervision of food additives is strengthened so as to regulate food producers to use food additives legally.

The following graphic illustrates the current responsibilities of departments within the Chinese supervisory system for food safety:

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<sup>6</sup> See Weiwei Zhang, Zhimei Xie, Haojiang Zuo, Xiaobei Ding, Xiaofang Pe, "Detection of food-borne pathogens with polymerase chain reaction and introduction of food safety supervision system in China", *Quality Assurance and Safety of Crops & Foods*, Vol. 2, No.1, 2010, pp.13-21.

InBev-Baillet Latour Chair of  
European Union-China Relations



The Chinese supervisory system for food safety. Source: Zhang, Weiwei et.al 2010 (FN11)

**The Melamine crisis: a case study**

The Melamine Crisis: from China to the World

Chinese melamine production started in 1958. Today, China is the largest melamine exporter, globally. In 2007, melamine was discovered in pet food imports from China. It caused the death of 16 pets, and the recall of 60 million pet food packages. The first baby affected by melamine was diagnosed in Nanjing in March 2008. In September 2008, the Sanlu Group admitted contamination of milk powder with melamine. It came to light that the substance had been added illegally to increase the measured protein content. Standard tests estimate protein levels by measuring the nitrogen content and therefore such tests can be misled by adding nitrogen-rich compounds such as melamine. In this case, it is also worth noting the considerable increase in milk consumption in China over the past decade.<sup>7</sup>

<sup>7</sup> Xiaofang Pei, Annuradha Tandon, Anton Aldrick, Liana Giorgi, Wei Huang, and Ruijia Yang, "The China melamine scandal and its implications for food safety regulation", *Food Policy*, Vol. 36, No. 3, 2011, pp. 412-420.

## InBev-Baillet Latour Chair of European Union-China Relations



In total, more than 294,000 babies were affected, with nearly 51,900 hospitalisations and six infant deaths by the end of November 2008. On Sept. 23, 2008, the Canadian Food Inspection Agency first found melamine in some instant coffee products. The products were recalled in Taiwan and Canada. One day later, melamine-contaminated confectionary was discovered in Australia and New Zealand. Cadbury Schweppes plc. recalled all of its chocolate products made at the Beijing plant on Sept. 29. In total, 11 chocolate products, exported to Hong Kong, Taiwan and Australia, were withdrawn from the market. Melamine was also detected in a Canadian chocolate brand, on Oct. 8, leading to its recall. At the end of October 2008, and just as the crisis seemed to be under control, health authorities in Hong Kong found eggs containing melamine after chickens were fed with melamine-contaminated feed.

European markets were also affected. Although the EU does not import milk or other dairy products from China, processed food such as biscuits and chocolates might contain traces of milk powder. In fact, contaminated biscuits were detected on October 3 in the Netherlands. The biscuits in question were also recalled in the UK by the Food Standards Agency. In response to the crisis, the European Commission decided that composite products, including feed, that contain milk products originating in or consigned from China, need to be analysed<sup>8</sup> and those products containing more than 2.5 mg / kg are to be immediately destroyed. The EC's Joint Research Centre reviewed existing analytical methods for the detection of melamine in food and feed and organised a proficiency test to benchmark laboratories' ability to detect melamine in food and feed. The results of the study were that 74% of the 114 analysed samples for milk powder and 73% of the 112 results for the baking mix were within the acceptable range (defined by common international measurement guidelines). During the crisis, stringent controls were introduced in many importing countries. For example, within the EU, any products containing milk, milk products, soya or soya products intended for the particular nutritional use of infants and young children originating or consigned from China, were immediately withdrawn or destroyed. A maximum level of 2.5 mg/kg was set for all milk and milk products, including milk powder, originating from China, together with any composite food product containing milk products, or with high protein content, originating from China. The same level was also set for ammonium bicarbonate intended for food or feed originating in or consigned from China. Furthermore, in the light of a new tolerable daily intake (TDI) of 0.2 mg/kg body weight per day set by the World Health Organization's (WHO) scientific experts, Health Canada has taken the additional measure of lowering its allowable level for melamine in infant formula from 1 mg/kg to 0.5

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<sup>8</sup> European Commission, "Commission Decision imposing special conditions governing the import of products containing milk or milk products originating in or consigned from China, and repealing Commission Decision 2008/757/EC/2008/798/EC. 2008/798/EC," *Official Journal of the European Union*, 2008, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:273:0018:0020:EN:PDF>, retrieved 22 August 2011.



## InBev-Baillet Latour Chair of European Union-China Relations



mg/kg, in order to ensure that exposure remains below this new TDI. The new 0.5 mg/kg standard for melamine applies to all infant formula products.

The EU funded MoniQA project involves experts from around the globe working for safer foods and has been heavily involved in knowledge sharing and competence building between its Asian and European partners. The melamine issue was discussed extensively during MoniQA meetings; conferences and several workshops and trainings were organised to deal with the issue. Information about melamine regulations as well as current validated methods can be accessed through the MoniQA database with links to the EU's RASFF.

### Socio-Economic Ramifications and Future Challenges

The death of infants, loss of consumer trust, drop in revenue for export companies, and lower income for farmers – these are only some of the social and economic ramifications of the melamine crisis.<sup>9</sup> The pressure of recalling more than 10,000 tons of milk powder and compensation claims led to the bankruptcy of the Sanlu Group. By mid-December 2008, the biggest Chinese milk producer, the Mengniu Group, claimed that their losses had reached 900 million Yuan (US\$ 131.39 million). The demand for milk was reduced so much that some dairy farmers had to dump milk and slaughter their animals. Import bans from the EU, the US and Japan led to a 92% drop in dairy exports in October 2008 as compared with the previous year. Other food products were affected – one major Chinese port reported a drop in 87% for agricultural exports.

The Chinese government responded to the crisis by providing free medical treatment to all sick babies, with more than 4,500 organisations from all over the country participating in infant screening. A team of officials was also formed to handle compensation issues. The government also investigated the Sanlu Group, and the AQSIQ conducted an all-round overhaul of baby milk producers across the country. Subsidies for farmers were also provided. In the long term, the crisis led to the establishment of the general food safety system in China.

### **Conclusions**

The new Chinese food regulatory system is a step in the right direction but it diverges from the EC system in several ways. First, EU food law provides an overarching legal framework and main principles. More detailed regulations are then established to cover specific aspects of the food safety system across the food chain. In China, such detailed legislation, for instance, on official controls, has yet to be elaborated. Second, while China has two centralised bodies for the monitoring and implementation of the food law, namely the Ministry of Agriculture and the AQSIQ, the EU has implemented a more federal approach – the Member States and their regional authorities and agencies take the responsibility of implementation and oversight of food

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<sup>9</sup> See Ruijia Yang, Wei Huang, Lishi Zhang, Miles Thomas and Xiaofang, "Milk adulteration with melamine in China: crisis and response", *Quality Assurance and Safety of Crops & Foods*, Vol. 1, No.2, 2009, pp. 111-116.



## InBev-Baillet Latour Chair of European Union-China Relations



safety management and control. Third, the system for official controls is very underdeveloped in China: there are fewer trained laboratory personnel in the whole of China than in Germany alone. As a result, official controls concentrate on laboratory tests. Fourth, while the European system places a heavy emphasis on a quality assurance approach, which seeks an optimisation of the production process and all subsequent steps in the food chain, the Chinese approach seems to focus on the quality control of individual products. In view of public health, the quality assurance approach is more pertinent to risk management.

On a technical level, current challenges include analytical methods and validation, analytical results for “low background” levels, hazard characterisation (effects of other structural related chemicals), and the detection of other foods where melamine may have been used to artificially boost the apparent protein content. A co-regulation approach, working towards a phased reform of the public and the private sector, can serve as a solution.<sup>10</sup> The public sector would come up with guidelines (rather than regulations) and economic incentives for the dairy sector, while the private sector would commit itself to the gradual implementation of a quality assurance system.

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<sup>10</sup> Op. cit., Xiaofang Pei.



## THE EU'S POLICY RESPONSE TO CHINA'S RESOURCE DIPLOMACY IN AFRICA

Anna Katharina Stahl\*

The so-called “minerals ruling”<sup>1</sup> issued by the World Trade Organisation (WTO) on July 5, 2011 against the Peoples Republic of China (China) has attracted wide attention. In its report, the WTO panel concluded that Chinese authorities broke international rules by restraining the exports of a number of coveted raw materials.<sup>2</sup> As the outcome of a dispute settlement case filed together by the United States (US), the European Union (EU) and Mexico, this ruling is considered as a landmark, in particular regarding the Chinese decision to restrict its export of rare earth elements.<sup>3</sup> Such a judgement needs to be put in the context of growing international concerns over a possible shortage of rare earth metals, of which China is the largest supplier.<sup>4</sup>

European policymakers welcome the recent WTO verdict.<sup>5</sup> Trade Commissioner Karel De Gucht points out that the WTO judgment “sends a strong signal to refrain from imposing unfair restrictions to trade and takes us one step closer to a level playing field for raw materials.”<sup>6</sup> This demonstrates that the EU sees the WTO ruling as a useful tool to tackle current global challenges sparked by the unprecedented demand of raw materials from emerging countries like China.

Since the turn of the 21<sup>st</sup> century, China has reached a new stage of its economic development. Yet in the meantime, it is increasingly reliant on natural resources to sustain its modernisation. As a way to tackle the mounting dependency on natural resources, the Chinese government has started to create various policy instruments, both at domestic and

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<sup>1</sup> Foreign and Commonwealth Office (FCO) and UK Trade & Investment (UKTI), *China/WTO: Minerals Ruling*, Beijing, July 2011.

<sup>2</sup> World Trade Organisation, *Panel report regarding China — Measures Related to the Exportation of Various Raw Materials*, WT/DS394/R, WT/DS395/R, WT/DS398/3, Geneva: 5 July 2011, [http://www.wto.org/english/news\\_e/news11\\_e/394\\_395\\_398r\\_e.htm](http://www.wto.org/english/news_e/news11_e/394_395_398r_e.htm)

<sup>3</sup> European Commission, *Raw Materials Policy, 2009 Annual Report*, Brussels, 2009, [http://trade.ec.europa.eu/doclib/docs/2010/june/tradoc\\_146207.pdf](http://trade.ec.europa.eu/doclib/docs/2010/june/tradoc_146207.pdf)

<sup>4</sup> Yang Chun Jing, “China’s rare earth industry: are golden times coming?”, in Simon Evenett (ed.), *Resolve Falters As Global Prospects Worsen: The 9th GTA Report*, London: Centre for Economic Policy Research, 2011, pp. 51-60.

<sup>5</sup> European Commission, *Press release: EU welcomes WTO report on China’s export restrictions on raw materials*, Brussels, 5 July 2011, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=723>

<sup>6</sup> “China broke trade law on metals, says WTO”, *BBC News*, 5 July 2011, <http://www.bbc.co.uk/news/business-14030466>

## InBev-Baillet Latour Chair of European Union-China Relations



international level.<sup>7</sup> While the export restrictions on raw materials have been part of the domestic response, China has also engaged in a global strategy of diversifying its imports of natural resources. This has been translated into a policy of growing engagement in Africa, a continent with strong historical and cultural links with Europe. In only a short period of time, China has taken over the US as Africa's second largest trade partner, after the EU.<sup>8</sup>

Against this background, this article examines the Chinese resource diplomacy in Africa and its impact on other major consumers of raw materials. Both for China and the EU, the access to non-energy raw materials is a crucial aspect of their resource policies, as they are indispensable in the construction of infrastructures and the production of industry and consumer products. The overall argument put forward in this article will demonstrate that the Chinese search for African natural resources does not necessarily imply a situation of rivalry with the EU, but on the contrary, a more cooperative approach could be in the interest of all actors involved. The article is structured as follows: first, it provides an overview of the current Chinese resource diplomacy in Africa, then, it examines the nascent European raw material strategy as a response to China's rise. Finally, it concludes by pointing out recent developments, which could eventually lead to Sino-European cooperation over African commodities.

### **China's quest for natural resources in Africa**

Driven by pragmatic reforms initiated under Deng Xiaoping in the 1970s, China has set its course to industrialisation. Faced with a fading ideology, the legitimacy of the ruling Chinese Communist Party (CCP) is today largely based on the ability to ensure a continuation of the extraordinary economic growth. The CCP is thereby confronted with the challenge of securing the supply of natural resources, which are indispensable for the further modernisation of the country. Massive urbanisation, in particular, has meant that the demand for metals for the construction industry has surged over the past few years, making China one of the leading consumers of steel and copper in the world. According to forecasts, the current Chinese demand for commodities is likely to grow exponentially in the forthcoming decades.<sup>9</sup> In this context, the Chinese government issued in 2003 a White Paper on Mineral Resources. Chapter four of the policy document foresees the exploration and exploitation of mineral resources outside of China, underlining that, "the Chinese government encourages domestic enterprises to take part in international cooperation in the sphere of mineral resources, and in exploration, exploitation and utilization of foreign mineral resources".<sup>10</sup>

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<sup>7</sup> Isabelle Ramdoo, "Shopping for raw materials - Should Africa be worried about EU Raw Materials Initiative?" *ecdpm Discussion Paper*, no. 105, Maastricht, February 2011, p. 14f.

<sup>8</sup> United Nations Conference on Trade and Development (UNCTAD), *Economic Development in Africa Report 2010 – South-South Cooperation: Africa and the New Forms of Development Partnership*, New York, Geneva: United Nations, 2010, p. 30.

<sup>9</sup> Tamara Trinh et al., "China's commodity hunger Implications for Africa and Latin America", *Deutsche Bank Current Issues, China Special*, Frankfurt am Main, 13 June 2006.

<sup>10</sup> Information Office of the State Council, *China's Policy on Mineral Resources*, Beijing, December 2003.

## InBev-Baillet Latour Chair of European Union-China Relations



In the framework of the evolving Chinese resource diplomacy, Africa has been identified as a key region. Based on the 2006 African White Paper and the Forum for China-Africa Cooperation (FOCAC), the Chinese government has set up various mechanisms to support Chinese State-Owned Enterprises (SOEs) in the exploration, exploitation and utilisation of African natural resources. Concessional loans provided through China's official export credit agency, the Chinese Export and Import Bank (Exim Bank), have proven to be one of the most efficient tools to encourage the expansion of Chinese SOEs to Africa.<sup>11</sup> This state patronage over firms allows Beijing to offer so-called "package deals" of aid, infrastructure projects, technical and sometimes military equipment to African countries, in return for natural resources. Hence, the boundaries between Chinese aid and economic interests are often blurred.

Furthermore, having identified infrastructures as an essential prerequisite for the extraction and transportation of African mineral resources, the Chinese Exim Bank is now also heavily involved in financing Chinese projects in this sector. On the one hand, China contributes to filling the infrastructure gap in Africa, which is in many cases a major impediment for development. On the other hand, Beijing faces growing criticism of investing in infrastructure with the sole aim of extracting natural resources. Moreover, the so-called "infrastructures-for-minerals" deals have often turned out to benefit the Chinese interests much more than those of their African "partners". The agreement signed in April 2008 between the Congolese government and a consortium of Chinese companies, worth US\$9 billion, is a good illustration for the often rather unequal nature of Sino-African relations. While the Sino-Congolese joint venture – Sicomines – provides infrastructure investments, the Congolese government has given the Chinese authorities a free hand over the mineral concession in the Katanga province.<sup>12</sup>

In the literature, China's growing activities in Africa are hence often depicted as coordinated, mercantilist undertakings.<sup>13</sup> This point of view is partly reflected in the European policy approach. The EU has been alarmed by China's "no strings attached" aid, which contradicts the European normative discourse centred on political conditionality. It is feared that the pragmatic business-oriented Chinese approach is undermining good governance in Africa, by indirectly stimulating ongoing conflicts over resources in countries like Sudan or Nigeria.<sup>14</sup> In addition, European experts

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<sup>11</sup> Peter Bosshard, "China's role in financing African infrastructures", *International Rivers Network*, Berkely, May 2007, <http://www.internationalrivers.org/files/ChinaEximBankAfrica.pdf>

<sup>12</sup> Johanna Jansson et al., "Chinese Companies in the Extractive Industries of Gabon and DRC: Perceptions of Transparency", *Centre for Chinese Studies Report*, University of Stellenbosch, Stellenbosch, August 2009, p. 33.

<sup>13</sup> Jonathan Holslag, "China's New Mercantilism in Central Africa", *African and Asian Studies*, vol. 5, no. 3, Leiden, 2006, pp. 133-169.

<sup>14</sup> Daniel Bach, "Africa's commodity boom: the pitfalls of change without reform", in Ruchita Beri and Uttam Kumar Sinha (eds.), *Africa and Energy Security*, New Delhi, Academic Foundation, 2009, pp. 81-90.



## InBev-Baillet Latour Chair of European Union-China Relations



have deplored that many Chinese projects in Africa are not in line with international environmental standards.<sup>15</sup>

In short, the previous paragraphs have highlighted that the Chinese resource diplomacy in Africa is much more multifaceted than often assumed. Indeed, the Chinese policy in Africa is part of the overall Chinese quest for raw materials, yet two points need to be mentioned here. First, it would be an oversimplification to assume that Chinese foreign direct investments (FDIs) only go to the extractive industries sector in Africa. As a matter of fact, the Chinese contribution to the telecommunication and the financial sector in certain Africa countries is often underestimated. Furthermore, based on its model of export-led manufacturing, China has identified the African continent as a promising market for its cheap goods. Second, the Chinese activities related to the import of African resources are not necessarily part of a concerted natural resource strategy, as assumed by the concepts like "China Inc." or "Beijing Consensus". Recent studies have shown that, despite the guiding hand of the Chinese government, diverging interests have emerged as a result of a growing number of Chinese actors engaging in Africa.

### **An emerging European raw material diplomacy**

The Chinese geopolitical strategy to secure natural resources in Africa has triggered massive reactions in Europe. The European debate has been mostly characterised by the fear that current changes in the global supply and demand patterns of commodities caused by China could threaten the EU's security and economic competitiveness. The assumption that the access to natural resources is crucial to guarantee the broader European security has been reflected in major European policy papers such as the 2003 European Security Strategy (ESS) and its 2008 Implementation Report. Both policy documents recommend the establishment of a common European strategy to secure natural resources.<sup>16</sup> From an economic perspective, China's Africa policy could call into question the continued security of the EU's mineral imports from Africa and as a result undermine the 2000 Lisbon Strategy,<sup>17</sup> which is aimed at making the EU "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion".<sup>18</sup>

As a consequence of European integration, Member States have delegated a growing number of trade related competences to the European level and it has thus become increasingly difficult to identify the nationality of a particular company. For this reason, the European Commission has been

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<sup>15</sup> Chris Alden and Ana Cristina Alves, "China and Africa's Natural Resources: The Challenges and Implications for Development and Governance", *SAlIA Occasional Paper*, no. 14, South African Institute of International Affairs, Johannesburg, September 2009, p.14.

<sup>16</sup> European Council, *A Secure Europe in a Better World- European Security Strategy*, Brussels, 12 December 2003, p. 3; European Council, *Report on the Implementation of the European Security Strategy - Providing Security in a Changing World*, Brussels, 11 December 2008, p. 5.

<sup>17</sup> European Commission, *Commission Staff Working Document - Analysis of the competitiveness of the non-energy extractive industry in the EU*, SEC (2007) 771, Brussels, 2007.

<sup>18</sup> European Council, *Presidency Conclusions*, Lisbon, 23-24 March 2000.



## InBev-Baillet Latour Chair of European Union-China Relations



identified as the primary actor responsible for defining a common European policy response to the pressing issue of natural resources. It has been exposed to mounting pressure in particular from the European industry. Among the different sectors of European industry, European metal companies have been at the forefront of the lobby campaign, for example, through the drafting of an advocacy plan on raw materials.<sup>19</sup> In addition to calls from the private sector, Member States requested on May 21, 2007 that the Commission “develop a coherent political approach with regard to raw materials supplies for industry, including all relevant areas of policy (foreign affairs, trade, environmental, development and research and innovation policy)”.<sup>20</sup>

Following a public consultation of various stakeholders, the European Commission adopted in 2008 the European Raw Materials Initiative (RMI), as a first integrated European strategy regarding raw materials.<sup>21</sup> The RMI is based on three pillars, the first one focusing on how to secure the access of strategic resources in third countries. Hence, it presents the cornerstone of a more proactive EU “raw materials diplomacy”. In February 2011, the RMI was further updated by a Commission communication entitled “Tackling the challenges in commodity markets and on raw materials”.<sup>22</sup> According to some observers, this second policy document is much more assertive regarding the EU's ambitions “to counter Beijing's alleged unfair practices in accessing key minerals”.<sup>23</sup> When contributing to the EU's raw materials initiative, the European Parliament also expressed explicit concerns regarding China. Among the reasons listed for the set-up of a special European Raw Material Group of the European Parliament, the newly appointed chair, Karl-Heinz Florenz, mentioned worries over European companies suffering from unfair Chinese competition in Africa.<sup>24</sup>

Fears about potential disruption from China regarding the access to natural resources have also considerably altered EU-Africa relations. Whereas in the past the EU's relationship with Africa was dominated by talks about aid and poverty reduction, China has brought the issue of raw materials high on the EU-Africa agenda. There has been an increasing awareness among European policymakers and business representatives of the potential of Africa's mostly unexploited raw materials. The 2007 Joint Africa-EU Strategy (JAES), through the Action Plan on raw materials, has put the foundations for a closer EU-Africa cooperation in this field.<sup>25</sup> The importance of raw materials

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<sup>19</sup> “Europe's Resource Grab - Vested interests at work in the European Parliament”, *Corporate Europe Observatory*, 27 June 2011, <http://www.corporateeurope.org/global-europe/content/2011/06/europes-resource-grab>

<sup>20</sup> Competitiveness Council of Ministers, *Council Conclusion*, Brussels, 21 May 2007.

<sup>21</sup> European Commission, *The Raw Materials Initiative - Meeting our critical needs for growth and Jobs in Europe*, Communication COM (2008) 699, Brussels, 2008, p.5.

<sup>22</sup> European Commission, *Tackling challenges in commodity markets and on raw materials*, COM (2011) 25 final, Brussels, 2011.

<sup>23</sup> “EU draws up plans to lure Africa's minerals”, *EurActiv*, 1 December 2010,

<http://www.euractiv.com/en/sustainability/eu-draws-plans-lure-africas-minerals-news-500157>

<sup>24</sup> “Parliament to dig up raw materials issues”, *EurActiv*, 1 March 2011,

<http://www.euractiv.com/en/specialreport-rawmaterials/parliament-group-dig-raw-material-issues-news-502568>

<sup>25</sup> European Council, *The Africa-EU Strategic Partnership: A Joint Africa-EU Strategy*, Lisbon, 9 December 2007.

## InBev-Baillet Latour Chair of European Union-China Relations



has also been reiterated in a more recent European policy document on EU-Africa relations.<sup>26</sup> Furthermore, the 2011 version of the RMI has introduced the possibility of using of the EU-Africa Infrastructure Fund for the funding of raw materials projects in Africa.<sup>27</sup>

Although this article adopts a European perspective regarding China's raw materials policy in Africa, one has also to take into account national initiatives which contributed to the European policy scheme on raw materials. Germany, for instance, adopted its own raw materials strategy in 2010.<sup>28</sup> This policy document has been the outcome of intense consultations between the German government and the German metal industry, represented by the German industry federation (BDI). Similar to the European strategy, the German debate around mineral resources has been dominated by fears over China, as demonstrated by the BDI report on "questions related to international raw materials" of March 2007.<sup>29</sup>

### **Conclusion: Prospects and possible benefits of Sino-European cooperation in Africa**

To conclude, it is essential to relate the EU's policy response on China's resource diplomacy in Africa to the overall nature of EU-China relations in Africa. Puzzled by the emerging Chinese interest in Africa, many European experts and policymakers have largely exaggerated the scope of Chinese activities on the African continent: until now, there are no signs of China locking-up minerals from the EU. On the contrary, it has been argued that Chinese investments in exploration and exploitation of mineral reserves in Africa could add to global supplies. While there is certainly an ongoing global "scramble for natural resources", currently only limited local competition occurs between European and Chinese companies in Africa.<sup>30</sup> In fact, Chinese SOEs mostly concentrate their activities in African countries and economic sectors where they face less local competition.<sup>31</sup> As new-comers on international markets, Chinese metal and mining companies have started

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<sup>26</sup> European Commission, *On the consolidation of EU Africa relations – 1,5 billion people, 80 countries, two continents, one future*, COM(2010) 634, Brussels, 2010, p. 7.

<sup>27</sup> European Commission, *Tackling challenges in commodity markets and on raw materials*, COM (2011) 25 final, Brussels, 2011, p. 13.

<sup>28</sup> German Federal Ministry of Economics and Technology, *The German Government's raw materials strategy - Safeguarding a sustainable supply of non-energy mineral resources for Germany*, Berlin, October 2011.

<sup>29</sup> Bundesverband der Deutschen Industrie (BDI), *Rohstoffsicherheit – Anforderungen an Industrie und Politik Ergebnisbericht der BDI-Präsidialgruppe Internationale Rohstofffragen*, Berlin, 16 March 2007, [http://www.bdi-online.de/BDIONLINE\\_INEAASP/iFILE.dll/XE616E19AFE7C4685BAD3EC61207BD3A4/2F252102116711D5A9C0009027D62C80/PDF/Rohstoffbericht.PDF](http://www.bdi-online.de/BDIONLINE_INEAASP/iFILE.dll/XE616E19AFE7C4685BAD3EC61207BD3A4/2F252102116711D5A9C0009027D62C80/PDF/Rohstoffbericht.PDF)

<sup>30</sup> AfDB, OECD, UNDP, UNECA, *African Economic Outlook 2011*, p.106.

<sup>31</sup> "China and Rio Tinto complete Guinea mining deal", *BBC*, 29 July 2010,

<sup>31</sup> Jonathan Holslag et al., "China's resources and energy policy in Sub-Saharan Africa", *Report for the Development Committee of the European Parliament*, Vrije Universiteit Brussel (VUB), Brussels, 19 March 2007, p. 49.

## InBev-Baillet Latour Chair of European Union-China Relations



to partner with more experienced Western companies in Africa.<sup>32</sup> An example for this has been the joint venture between the Aluminium Corporation of China (Chinalco) and the mining giant Rio Tinto in a project in Guinea.<sup>33</sup>

The EU initiated in 2005 a dialogue with China on Africa, guided by a perspective of cooperation under the leadership of the Commission's DG Development. Eventually, this was translated into a European proposal over a "trilateral EU, Africa and China cooperation",<sup>34</sup> as an innovative framework of exchange among European, Chinese and African representatives. The Commission's 2008 communication foresees the establishment of trilateral partnerships in four sectors, one of which is the sustainable management of natural resources.

Although the official Chinese policy response to the EU's cooperation initiative has been rather cautious, there are increasing signs that "China's resource strategy towards Africa is undergoing some modest changes that are in no small part a result of [the] exposure to international scrutiny".<sup>35</sup> Most prominently, the Chinese traditional position of "non-interference" in the internal affairs of third countries has evolved, as Chinese officials have started to balance their economic objectives in Africa with risks of political instability. Sudan and more recently Libya are examples for the cautious recalibration of Chinese interests in Africa.<sup>36</sup> Taking into account this general trend, Alden and Alves emphasise that Chinese leaders are showing more "openness towards a number of international regulation initiatives to improve governance, transparency and sustainability of natural resources development in Africa".<sup>37</sup>

To sum up, both European and Chinese policymakers seem to share the view that as major consumers of raw materials, it is in their common interest to ensure a stable and steady flow of raw materials from Africa: there is a need for concerted Sino-European efforts for guaranteeing a sustainable and transparent supply of natural resources. Hence, existing international initiatives such as the Extractive Industries Transparency Initiative (EITI) could present a good starting point for Sino-European cooperation regarding African natural resources.

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<sup>32</sup> Deborah Bräutigam, "China and Rio Tinto in Guinea: A Wild Courtship", *China in Africa: The real story*, 20 March 2010, <http://www.chinaafricarealstory.com/2010/03/china-and-rio-tinto-in-guinea-wild.html>

<sup>33</sup> BBC, loc. cit.

<sup>34</sup> European Commission, *The EU, Africa and China: Towards trilateral dialogue and cooperation*, COM(2008) 654, Brussels, 2008.

<sup>35</sup> Alden and Alves, op. cit., p. 20.

<sup>36</sup> Jonas Parelo-Plesner, "China's Libya hedge highlights shift on non-interference", *World Politics Review*, 14 June 2011, <http://www.worldpoliticsreview.com/articles/9154/chinas-libya-hedge-highlights-shift-on-noninterference>

<sup>37</sup> Ibid., p. 20.