



# Africa-China-U.S. Trilateral Dialogue

Summary Report

The Brenthurst Foundation  
Chinese Academy of Social Sciences  
Council on Foreign Relations  
Leon H. Sullivan Foundation



## COUNCIL ON FOREIGN RELATIONS



**LEON H. SULLIVAN  
FOUNDATION**

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## Africa-China-U.S. Trilateral Dialogue

This report provides insight into a most unique, if not unprecedented, trilateral process. The Africa-China-U.S. Trilateral Dialogue was initiated to challenge the notion that the United States and China are locked in an inevitable competition for influence and resources in Africa that could be to the detriment of the 53 nations on the continent. The 37 individuals from Africa, China, and the U.S. who participated in this “track two” diplomatic exercise emerged with a firm belief that there is no inherent strategic conflict between China and the United States in Africa, and that Sino-American cooperation in Africa is not only possible but it is in the interests of all stakeholders who seek to promote Africa’s development and integration into the global economy. At the same time the dialogue was candid in identifying differences in policies and methods of operation between China and the United States, special concerns of Africa, and opened up areas where more dialogue is very much needed. In particular, further dialogue would be valuable on the role of governance and democratization in Africa, corporate social responsibility, protection of the environment, and enhancement of African security.

This overview describes why the process was established, how it was implemented, and what it achieved.

## Launching the Dialogue

In mid-2005, the Brenthurst Foundation in Johannesburg, South Africa, sent a letter to Liu Guijin, then China’s ambassador to South Africa, inviting his nation to participate in a process that would include experts from Africa and the United States, to be led by the Brenthurst Foundation, the Leon H. Sullivan Foundation, and the Council on Foreign Relations.

The Brenthurst Foundation had established the Tswalu Dialogue, which regularly brought together experts from throughout Africa and other regions of the world to discuss issues and trends on the African continent. The Council on Foreign Relations had recently published a study, “More than Humanitarianism: A Strategic U.S. Approach toward Africa,” which found—among other conclusions—that China’s growing role in Africa posed significant issues for policymakers, businesses, and analysts, and should be on the American-Chinese agenda. The Leon H. Sullivan Foundation was established in 2002 to continue the legacy of the Reverend Leon H. Sullivan to deepen ties between the United States and Africa and to promote corporate social responsibility, social justice, and economic development on the continent.

Toward the end of 2005, Ambassador Guijin replied affirmatively that China would very much like to participate in a trilateral dialogue with a group of Africans and Americans. The Chinese Academy of Social Sciences was designated as the Chinese partner institution. The process was born.

The sponsoring organizations agreed to hold three meetings, one each in Africa, China, and the U.S., and that the process would be managed by a secretariat with a representative from each delegation. Overall direction of the project and the work of the secretariat would be guided by the chairs of each delegation: William Lyakurwa, executive director of the African Economic Research Consortium in Nairobi, Professor Yang Guang, director-general of the Institute of West-Asian and African Studies at the CASS, and co-chairs of the American delegation Ambassador Princeton Lyman, adjunct senior fellow at the Council on Foreign Relations, and Ambassador Andrew Young, chairman of the Leon H. Sullivan Foundation.

There was further agreement that each delegation would pay its own travel expenses and costs associated with hosting its meeting. To that end, the sponsors are indebted to the Ford Foundation, which provided a major grant to enable the participation of the American delegation at all three meetings and the hosting of the third meeting in Washington, DC. Additional support was provided by the Coca Cola Africa Foundation and the firm of Akin Gump Strauss Hauer and Feld. Thanks are also due to the Council on Foreign Relations and the Leon H. Sullivan Foundation, which contributed financial resources, administrative support, and staff time to ensure a successful outcome.

We would also like to thank the Brenthurst Foundation and the Chinese Academy of Social Science for their participation in this initiative, for graciously hosting the American delegation in South Africa and Beijing, and for making possible the travel of their respective delegations.

## The Report

In the following sections of this report, there is a final statement issued September 11, 2007, at the close of the third meeting in Washington that presents a review of the subjects discussed throughout the dialogue, the areas of agreement and divergence, and the recommendations for further actions. The report also includes summaries of the three meetings that led up to this document and which show the flow of discussion and debate that took place. In addition, it includes two papers submitted by the African delegation, which formed the basis of much of the discussion at the second and third meetings. Finally, we have included a paper submitted to the Dialogue by the UN Food and Agricultural Organization for potential Chinese-American cooperation on agriculture.

## The Key Issues

It is worthwhile to summarize several of the most important issues that emerged from the Trilateral Dialogue.

### Globalization

Globalization, perhaps more than any other issue, set the tone of the discussions. Globalization provided the context for understanding the increased investment in Africa that is coming from many countries, as well as the specific challenges Africa faced in forging development strategies. It was agreed that the likelihood of a strategic competition for natural resources in Africa between the U.S. and China was remote, regardless of commercial competition for such resources, given the nature of supply and demand for such commodities on the world market. Both nations, moreover, share an interest in economic and political stability in Africa, which provided a strong potential basis for cooperation. At the same time, there was a recognition that Africa is “in play” commercially as never before, due to the global interest in the continent’s resources and the unprecedented prices that these resources are commanding. The most critical issue revolved around how Africa will adapt to the global economy, and whether the benefits from this “commodity supercycle” will be seized by African governments for the benefit of their people or whether they will accrue to foreign interests or to non-transparent and non-accountable individuals and entities. There was also recognition that business competition can be positive if it leads to job creation, skills transfers, and revenue generation in Africa.

### Democratization and Governance

At the heart of the process of adaptation to globalization is the issue of governance. As put forward in the African paper, “Competition or Partnership? China, United States and Africa—An African View,” the critical issue for Africa in its relations with China and the U.S., as well as other commercial partners, “is the strengthening of governance institutions and the promotion of trade and investment links.”

Throughout the three meetings, better governance and democratization were recurrent topics. For the Americans these are important processes that should be actively supported in Africa by external actors, through aid programs and through corporate social responsibility. The Chinese emphasized their commitment to the principle of non-interference in the internal affairs of other countries as a key tenet of China’s foreign policy. In this regard, human rights was seen as largely an issue of national sovereignty. Moreover, in China’s view, consensus politics is more important than elections. The Chinese delegation also emphasized a priority for stability, arguing that in some cases democratization was destabilizing. Accordingly, the international community should not push Africa to democratize too quickly. Despite these differences, all delegates stated in the Final Statement that they welcomed that Africa has taken great strides forward in the area of democracy.

Furthermore, all agreed that Africa has a unique opportunity now to “own” its decisions over development. This is particularly true given the economic and democratic reforms that have taken root across the continent just as this flow of new investments and high prices for commodities are helping spur growth. In addition, the second African paper, “Business Principles for a Strong Africa,” makes a compelling argument for transforming the “welfare,” or donor-driven approach to development, as embodied in the Millennium Development Goals, into an enterprise-led vision of growth for the continent. It also makes the important recommendation that there should be a Millennium Development Goal for Competitiveness as a means to spur greater investment and accountability in Africa.

### Peace and Security

Participants in the dialogue discussed issues relating to Africa’s peace and security at each of the meetings. At the first meeting the American delegation expressed particular concern about Darfur. Delegates underscored how after the Rwanda genocide, the world’s inaction in Darfur, in part because of divisions within the UN Security Council, showed how little progress had been made in developing an effective international response to preventing genocide and crimes against humanity. This inaction existed despite the global commitment to the principle of a “responsibility to protect” against such depredations. Support for Zimbabwe was also seen by the Americans as only helping sustain a government that was out of step with the progress of democratization and economic reform taking place across Africa.

In the later meetings, it was noted that China had become more visibly active on Darfur with the appointment of a special envoy and the commitment of a 300-person engineering brigade to provide logistical support to the UN/AU peacekeeping force. At the same time, members of the African delegation argued that the Sudanese government had been intransigent in certain respects, especially with regards to the establishment of a UN force. The Africans urged both the Chinese and Americans to do more in Darfur. The Americans thought additional pressures on Khartoum would be necessary but also argued for a combination of “carrots and sticks” in order to achieve a peace agreement and an effective peacekeeping force. The Chinese, on the other hand, believed that sanctions were not effective in moving the Sudanese forward and that quiet diplomacy was much more useful.



## Corporate Social Responsibility

The subject of corporate social responsibility was discussed at great length. While American investment in Africa continued to be heavily concentrated in the natural resources sector, Chinese companies, some 800 now operating in Africa, were moving into a wide variety of sectors. The Americans reviewed a number of internationally developed codes of conduct that have been advanced in recent years to improve corporate activities on the continent, and in particular to limit the misuse and misallocation of African earnings from natural resources. The Chinese delegation found these arrangements of interest but noted that China had not been a participant in their development and would have to examine them further. Moreover, some members of the Chinese delegation questioned the practical value of such compacts, arguing that this matter needed to be tested on the ground and adjusted to local conditions. The African paper, "Business Principles for Strong Africa," addressed this issue from a number of perspectives. This was clearly an area that delegates felt merited further dialogue.

## Chinese-American Cooperation in Africa

At the final meeting, the delegations examined areas where cooperation between China and the United States could be particularly beneficial to Africa. Building on a paper presented at the meeting by the UN Food and Agricultural Organization, delegates felt that agriculture could be a prime candidate for such cooperative endeavors. Health was also discussed as a potential area of cooperation, particularly in malaria where both countries are active. The benefit of cooperation on peace and security was also highlighted by all delegations. Africans urged China and the United States to collaborate more on peace strategies in Africa, peacekeeping training, and support of African peacekeeping missions.

## Looking Toward the Future

The Trilateral Dialogue created an environment in which candor was dominant throughout. There was a willingness to agree to disagree as much as there was a desire to find areas of agreement on critical issues and common solutions to difficult problems. In this respect, the Trilateral Dialogue was very valuable as process. It proved that informed observers and actors from Africa, China, and the U.S. could come together on a regular basis to discuss extremely significant and complex issues relating to Africa in a serious and constructive manner. The emergence of a sense of common trust based on a shared commitment to accelerating Africa's economic development came to be the corner stone of the Dialogue's work.

Equally important, the trilateral basis of the Dialogue put Africa and African views at the center of the discussion of China's, and in the process America's, role in Africa. This moved the discussions away from an undue emphasis on Chinese and American competition in Africa and instead on how Africa could gain from the attention of both countries. In the end, the emphasis became how, along with those areas of competition and policy difference that do exist, there could be vital and productive areas of cooperation.

It was gratifying that all three delegations felt that this process was too valuable to end here. The sponsoring institutions will thus be considering, and consulting with others on, how this dialogue can be followed by programs and processes that advance further the ideas and the collaborative spirit that has been generated by the Trilateral Dialogue.



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## Africa-China-U.S. Trilateral Dialogue

The Brenthurst Foundation  
Chinese Academy of Social Sciences  
Council on Foreign Relations  
Leon H. Sullivan Foundation

## Introduction

Over the course of the last thirteen months, delegates from Africa, China, and the United States have met three times in an effort to identify strategies of cooperation among their respective nations with the goal of accelerating economic development in Africa. The meetings were held in Tswalu, South Africa, in August 2006, in Beijing in March 2007, and in Washington in September 2007.

The Dialogue is a unique initiative because of its trilateral nature. The purpose of this paper is to summarize the discussions that have taken place.

The Trilateral Dialogue process is in no way complete. There are issues that are still under discussion and there are other issues on which we have noted areas of divergence. Nevertheless, there has been a great deal of convergence, and that is what we want to share at this time in the hopes that we might stimulate other initiatives that will benefit Africa.

## Areas of Agreement

- There is no strategic conflict between the U.S. and China in Africa, and there is no zero-sum dynamic between the two countries.
- Closely related to this is the African perspective that it is essential to avoid another scramble for Africa.
- There are divergent interests between the U.S. and China in Africa and they can be reconciled to Africa's benefit. However, there is no reason that China and the U.S. will cooperate automatically.
- Business competition between the U.S. and China will take place in Africa, but that by definition is not necessarily a negative, especially when new technologies are shared with Africans, skills are imported into Africa, and jobs are created.
- There was agreement that the U.S. and China are important commercial partners for Africa and that both can be helpful in the mobilization for capital and debt relief.
- When it comes to energy, there was agreement on the need for the security of supply and stability of price. There was also a general consensus that Africa could benefit from all partners, especially the U.S. and China, agreeing on a framework to ensure that the revenue from these resources genuinely contributes to economic development and stronger institutions.
- Africa will have to rely on exploiting its natural resources and using the revenues from these resources more productively for social and economic development. China and the U.S. can best assist by strengthening institutions to ensure that these resources are accounted for and invested in human and national development.
- There was also agreement that we have to be careful not to look at Africa exclusively through the lens of energy production and consumption. At the same time, it was noted that the global interest in Africa has never been higher, and that it is vital that this attention is seized for Africa's long-term benefit.
- Related to this point was the comment made by the Chinese delegation that not all have benefited equally from globalization. It is the responsibility of the world to support Africa but, at the same time, Africa has to adapt to increased globalization.
- Given the increased international attention on Africa and the democratic and economic reforms that have taken place across the continent, it was agreed that African countries have a unique opportunity to "own" their decisions over development.
- All delegations agreed that peace and security are prerequisites for stability and economic development.
- There was also agreement that all countries affirmed their "responsibility to protect" against genocide and crimes against humanity, and that there are a number of United Nations (UN) and African Union (AU) conventions and principles which need to be observed.
- All delegates welcomed that Africa has taken great strides forward in the area of democracy, as illustrated by the success of the AU, the New Partnership for Africa's Development (NEPAD), and the African Peer Review Mechanism. The refusal by the AU to recognize unconstitutional seizures of power is another significant development underscoring the trend to democracy.

## Areas of Discussion

- There was considerable discussion over the degree to which China can be seen as a model of economic development. China is a developing nation that has brought a very significant number of people out of absolute poverty. China has also attracted a significant amount of foreign investment and in a generation gone from the 30th largest nation in global trade to the third largest.

- At the same time, one aspect of China’s path to development was predicated on the emergence of an extremely competitive light manufacturing sector. There is a difference of opinion over whether African nations will be able to ascend the industrial ladder over the next generation in the same way.
- There was much conversation about whether there can be a genuine convergence of objectives among China, the U.S., and Africa on how best to promote development in Africa. For example, the Chinese delegation identified their objectives as promoting peace and development. The African delegation noted that their governments want development and poverty alleviation as their first priority. The U.S. delegation emphasized policies that focus on improved governance, accelerated growth, and enhanced peace and security. At the same time, the American delegation noted that it is important to strengthen the role of African entrepreneurs and civil society organizations as a stimulus to development, and that corruption and crime impose the largest obstacles, or taxes, on development.
- It was also noted that Africa is projected to be the only region in 2030 in which absolute poverty will still exist. With a growing threat posed by climate change and global warming and a decline in per capita food production, there was discussion of the appropriate agricultural and scientific technologies for Africa.
- The African delegation submitted a paper entitled “Business Principles for a Strong Africa,” which has become a basis for our continuing discussion.

## Areas of Divergence

- Some Chinese scholars pointed out that there is no consensus on a definition of good governance. Therefore, China does not pre-condition its assistance on the existence of democracy and places more emphasis on a balance among reform, stability, and development.
- The American delegation noted that the U.S. tends to condition assistance on the existence of democracy and provides direct assistance for democracy-building.
- Similarly, as it concerns peace and security, the African delegation challenged the U.S. and China to do more to help resolve the situation in Darfur. Whether or not there can be agreement among the delegations on actions for recommendation remains to be seen. The crisis of governance and economy in Zimbabwe and Somalia would also fall into this category.
- On the issue of transparency and how best to use revenues generated from commodities, there was a difference of emphasis as it concerned external codes such as the Extractive Industry Transparency Initiative (EITI), the Global Sullivan Principles of Corporate Social Responsibility, the Equator Principles, and others. There is a long way to go to get governments and companies to adhere to these codes and there is no agreement among the delegations on how to achieve this.
- Finally, on several occasions in Beijing, the Chinese delegates underscored their government’s commitment to the principles of non-interference and mutual reciprocity. How this plays out in the area of conflict resolution and the responsibility to protect remains to be seen.

## Strategies on the Way Forward

There is agreement among the three delegations that the initial three meetings of the Trilateral Dialogue started a process that has great potential. In terms of the longer-term objectives, there are several:

- Influence the African Union and the governments of China and the United States to establish an official trilateral mechanism that will address key issues pertinent to the interests of nations in Africa as well as China and the U.S.
- Provide a forum to generate ideas about American and Chinese cooperation in Africa that would be of benefit to policymakers, researchers, and analysts throughout the world who are engaged in African investment, development, and peace and security issues.
- Bring together stakeholders in working groups in sectors such as agriculture, health, and energy who have the resources and institutional capacity to train Africans, introduce new technologies, and create expanded opportunities in these sectors.
- Maintain and possibly expand the existing mechanism that there be a regular dialogue among the delegates of the Trilateral Dialogue and officials from government, international organizations, corporations, and non-governmental organizations with the objective of leveraging resources, technologies, and expertise on behalf of African development.
- Recognizing that peace and security are essential to African development, continue to discuss how to increase AU and UN peacekeeping capabilities.

To achieve these objectives, the Trilateral Dialogue could well continue in its current form or in an agreed alternative form. At the same time, it could establish issue-based working groups that would have specific agendas and would meet more frequently in an effort to achieve agreed-upon goals.

## Participants in the Trilateral Dialogue Process

### Chinese Delegation

Professor Yang Guang, <i>Chair</i>	Director-General, Institute of West-Asian and African Studies
Professor Wang Rongjun	Deputy-Director of American Economic Studies, Institute of American Studies
Professor He Wenping	Director of African Studies, Institute of West-Asian and African Studies
Dr. Zhang Yongpeng	Deputy Director of International Relations Studies, Institute of West-Asian and African Studies
Ms. Zhang Qiaozhi	Program Officer, Bureau of International Cooperation, Chinese Academy of Social Sciences (CASS)
Professor Tao Wenzhao	Institute of American Studies
Professor Yu Yongding	Director, Institute for World Economic and Political Studies
Professor Li Zhibiao	Institute of West-Asian and African Studies
Professor Yang Lihua	Institute of West-Asian and African Studies
Professor Ru Xin	Former Vice President, CASS
Professor Zhang Hongming	Deputy Director-General, Institute of West-Asian and African Studies, CASS
Professor Cui Yongqian	Former Ambassador to African countries
Professor Xu Weizhong	China Institute of Contemporary International Relations
Professor Wang Hongyi	China Institute of International Studies

### African Delegation

Dr. William Lyakura, <i>Chair</i>	Executive Director, Africa Economic Research Consortium, Kenya
His Majesty King Letsie III	King of Lesotho
Professor Stephen Chan	School of Oriental and African Studies, University of London
Ambassador Joe Mollo	CEO, Corporate Diplomats and Former High Commissioner of Lesotho to the United Kingdom, Denmark and Canada
Mr. Michael Spicer	CEO, Business Leadership, South Africa
Hon. Patrick Mazimhaka	Vice Chair, African Union Commission, Addis Ababa, Ethiopia
Hon. Sydney Mufamadi	Minister of Local and Provincial Government, South Africa
Hon. Lopo do Nascimento	Former Prime Minister of Angola
Hon. Neo Moroka	Minister of Commerce, Government of Botswana
Dr. Greg Mills	Director, Brenthurst Foundation, South Africa
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### American Delegation

Ambassador Princeton Lyman, <i>Co-Chair</i>	Adjunct Senior Fellow, Council on Foreign Relations
Ambassador Andrew Young, <i>Co-Chair</i>	Chairman of the Board, Leon H. Sullivan Foundation
Dr. Witney Schneidman	Senior Adviser, Leon H. Sullivan Foundation, former Deputy Assistant Secretary of State for African Affairs
Ambassador Thomas Pickering	Hills & Co., former Under Secretary of State for Political Affairs
Professor Chester Crocker	Georgetown University, former Assistant Secretary of State for African Affairs
Ambassador Nancy Soderberg	Former U.S. Ambassador to the United Nations
Mr. David Goldwyn	CEO, Goldwyn International Strategies, former Assistant Secretary of Energy
Mr. Stephen Hayes	President and CEO, Corporate Council on Africa
Ambassador Howard F. Jeter	President and CEO, Leon H. Sullivan Foundation
Ambassador J. Stapleton Roy	Kissinger Associates, Inc. and Former Ambassador to China



## Africa-China-U.S. Trilateral Dialogue

**Tswalu Kalahari Reserve**

August 4–6, 2006

The Brenthurst Foundation

Chinese Academy of Social Sciences

Council on Foreign Relations

Leon H. Sullivan Foundation

## Introduction

A rising China will have a profound effect on Africa and on how the United States interacts with countries south of the Sahara. In order to understand the changing political and commercial relationships between the U.S., China and African countries, three meetings have been planned between high-level delegations selected by the Brenthurst Foundation, the Council on Foreign Relations (CFR), the Leon H. Sullivan Foundation, and the Chinese Academy for Social Sciences (CASS). The first meeting was held at Tswalu Kalahari Reserve on 4-6 August 2006. A list of participants is attached as an appendix.

At this first meeting, the prevailing wisdom held that China's emerging role in Africa presents both opportunities and challenges for Africa and for American policy on the continent. The Trilateral Dialogue has set out to examine these issues and to seek ways to foster cooperation in support of African priorities for development. For instance, Africa is a new, increasingly important energy frontier. Africa produced 6.8 million barrels of oil per day (bpd) in 1979, rising to over 9.8 million bpd in 2005. Given its increasing dependency on foreign supplies, China is aggressively pursuing fresh oil interests in Africa— notably in the Sudan (which makes up one-tenth of all Chinese oil imports), but also more recently in Angola, where China agreed to a U.S. \$2 billion credit line in 2004, subsequently increased to a reported U.S. \$11 billion. Currently the U.S. imports two-thirds of its oil needs, and 15 percent of this comes from Africa. This figure could increase to 25 percent by 2015.

Yet, oil has traditionally not benefited African citizens for a range of reasons, including the nature of governance in those oil-producing countries and poor macro-economic governance, including the overvaluation of currencies. If African countries can use the new oil boom productively, they will enrich their countries and give great impetus to development. On the other hand, if the oil boom money is treated the same way as it has been in the past, increasing demand from China and the U.S. will not benefit African citizens. Such concerns are also set against a backdrop of the need for African economies for diversification in the face of cheap manufactured goods from China and elsewhere in Asia.

## Assessing Priorities in Africa

The first session provided an overview of U.S. and Chinese activities in Africa, as well as a sense of African priorities. **William Lyakurwa** set the stage with an overview of Chinese and U.S. involvement in Africa. Both countries' trade with Africa has increased markedly over the past five years, and China now imports more than a quarter of its oil from Africa. He noted the historical depth of the two countries' interactions with the continent, and set out an ambitious vision of Africa's priorities in this new environment, including enhanced governance, peace and security, debt cancellation, and increased investment. He made a forceful plea for the importance of capacity building in all ventures in Africa.

**Princeton Lyman** articulated two points that remained salient for the rest of the meeting. Firstly, there is no strategic conflict between China and the U.S. over Africa, because China is active in many sectors (notably infrastructure) from which the U.S. is absent. Secondly, China's growing interest in Africa from a commercial perspective has made Africa more important in global affairs in general. Two caveats were that it is important that investment should promote transparency and good governance, and that China should take care that its investments do not enable or prolong conflicts. He also noted that China approaches investment in Africa with techniques not available to the U.S., because China is able to integrate public and private initiatives into a single whole. He noted that China's investment in energy provides in fact a positive contribution if it increases the supply of oil on the world market. While there is business competition between Chinese and American firms, this is not new to American firms or to the history of exploration in Africa.

**Tao Wenzhao** agreed with Princeton Lyman that there was no strategic conflict with the U.S., and with William Lyakurwa that Chinese activities on the continent should serve African interests. He noted the key role played by African states in the recognition of the People's Republic of China at the United Nations (UN), and emphasised a cardinal tenet of Chinese foreign policy: non-interference in the internal affairs of sovereign states. China allows nations to choose their own social and political systems. Derivatively, China considers human rights an internal matter, and that Africa and the West may have different priorities in the hierarchy of rights: the right to "existence and development" is more important than civil and political rights. In cases where serious violations of human rights are occurring, foreign powers should first turn to the African Union (AU) for a solution, and only then to the UN Security Council, which should apply sanctions only in the most extreme situations.

The discussion first turned on the question of whether there were any disagreements with Lyman's assertion that there is no strategic conflict between the U.S. and China in Africa. While there was no disagreement, it was noted that some American opinion-makers do see China's push into Africa as part of a broader strategic rivalry between the two countries. Another caveat was that while there is in fact no conflict now, one could develop in the future if the stakes rise, particularly in the energy sector.

It was noted that while China has no present intention of rivalling the U.S., it needs space to go out into the world because of its large population. The U.S. should be careful not to give the impression that it intends to thwart China's economic development.



The event was also reminded that there is a third set of interests—African ones—and that Chinese and U.S. interests are probably closer to each other than either is to African interests. “Africa is in play like never before;” but can this moment of opportunity be seized by Africans themselves, or will the benefits mostly accrue to foreign interests? But in spite of this concern, the feasibility of getting 54 countries in Africa to come together and adopt a common approach did not engender confidence. It will therefore be important for each African country and region to develop a strategic perspective on how they will benefit from a rising China.

Factors that could affect Africa’s economic salience were considered. Since the current interest in commercial possibilities in Africa is a result of commodity prices, Africa’s importance could diminish when the current ‘commodities supercycle’ turns down. Globalization, the rise of India, changes in demand from the Chinese and US economies, political changes in the Niger Delta oil-producing areas, alternative sources of energy, and increased demand for energy within Africa could all affect the current picture.

Good governance is a prerequisite for the higher-order investments in Africa that Africans consider essential, such as beneficiation of natural resources and diversification of economic interests. It is important that Chinese and U.S. economic activities do not implicitly or unconsciously undermine good governance, but also that Africa was not subjected to different rules than the U.S. and others applied to different regions, notably the Middle East. A concern was expressed in regard to the energy sector that Chinese competition could weaken the progress on governance that has been made in this industry. One of the best guarantees that a venture will promote African interests is the tenure of its engagement: A company that builds factories and sinks deep mine-shafts has a greater stake in stability and responsible government than does the short-term speculator.

Will increased Chinese and U.S. investment in Africa be accompanied by positive social, economic, and political change? Will it fundamentally alter the trajectory of African states? Will important investments be made in critical infrastructure? The track record on this is not encouraging. China and the U.S. risk adapting themselves to Africa rather than transforming it.

## Maximizing the Opportunity for Trade and Investment in Africa

This session examined a number of questions:

- What African sectors are the most attractive for foreign direct investment?
- What strategies should African governments pursue to increase investment?
- What can be done to increase the export of manufactured and value-added products from Africa?
- How do Chinese and American companies assess risk in Africa?
- What is Africa’s comparative advantage, and how can this be used to stimulate economic development?
- What can be done to promote good governance by outside actors?
- What were the prospects and difficulties associated with investment in the energy sector?

In answering these questions, the session picked up on the discussion flowing from **Eddie Keizan’s** talk on the first night, which highlighted the experience of Tiger Wheels Limited as an African manufacturing business.

Keizan’s shrewd investment of the R3,000 prize from winning a local motor-racing championship in buying Tiger Wheels for R14,000 in 1973 has seen the company grow to among the top ten alloy wheel manufacturers world-wide, with an annual production of seven million wheels. Listed on the JSE, Tiger Wheels Limited has a market capitalization of R1.3 billion, and is expected to turn over R3.8 billion this year.

The alloy wheel industry had started to expand globally, following the twin oil-price shocks of 1973 and 1979. This led to manufacturers’ redesigning cars with a focus on lighter alternatives to the traditional steel wheel and with greater offsets, allowing for smaller cars with better space optimization. From a virtual zero base, apart from a few high-performance exotica in 1973, today alloy wheels are supplied to 50 percent of cars as so-called original equipment (OE).

In January 1987 came a life-changing experience. Keizan enrolled in Harvard Business School for a strategic management course for “serial entrepreneurs with a mid-life crisis.” Realising that his business was overgeared, he resolved to “fix the balance sheet by selling the manufacturing business.” However, his new partner persuaded him not to sell up, but rather to list the company.

Since its October 1987 listing, Tiger has not looked back. During the late 1980s and early 1990s, it expanded its aftermarket



business into 40 countries, and, in 1994, bought Dorbyl's wheel company, which had the OE contract for Toyota. The local tire and aftermarket business expanded from just three outlets in the 1980s to 44 South African retail and two (South Africa and Britain) wholesale stores today. The trading business now comprises 25 percent of its revenue.

The purchase of 74 percent of the German ATS wheel concern in 1998, along with the construction of a R300 million state-of-the-art South African plant at Babelegi capable of producing 1.5 million wheels annually, signalled Tiger's ascendancy as a global OE manufacturer. Today its five factories in the U.S. (two), Poland, Germany, and South Africa supply wheels directly to Volkswagen, Audi, Volvo, Jaguar, Ford, and Mercedes.

But there is a twist in the otherwise positive Tiger's tale. Virtually all aftermarket wheels—about 600,000 annually—are today manufactured in China. The reason? Costs. For example, one South African wheel designer costs the same as a team of 21 in China. But South Africa is not only uncompetitive when measured against Chinese counterparts: Babelegi has the highest manpower-to-wage costs of any of Tiger's factories. South Africa's skills shortage means that blue-collar skills attract a premium. "But even an unskilled floor sweeper in Babelegi earns more than a graduate fresh out of university in Poland."

South Africa is a great place, Keizan notes, to do business, but the high cost of skills and overvalued exchange rate is increasingly making it difficult to run a competitive manufacturing enterprise. Currently South Africa is protected from China's growing involvement in the market by the short just-in-time lead times required to supply motor vehicle manufacturers with original equipment.

In Session Two, **Neo Moroka** noted that Africa offers good opportunities for business, given moves made towards freeing up markets, the continent's commitment to regional integration, and its rich natural resource endowment. To create a more conducive environment for doing business, governments need to improve governance; streamline bureaucracies; open markets further, especially on a regional basis; focus on capacity building; improve infrastructure; and uphold and respect the rule of law with regard to the security of contracts. Attractive sectors include natural resources, in particular their beneficiation; services; banking; tourism; and telecommunications. Going forward, there are several priorities. Africa needs to adapt itself to increased competition brought about by globalization (for foreign direct investment and talent), build partnerships (e.g., Debswana), engage the Diaspora, further deepen regional integration, focus on beneficiation, and increase commitment to good governance.

**Chester Crocker** identified several investment risk and deterrent factors in Africa. One is the small size of African economies—"the size of the economy of the entire sub-Saharan Africa is the size of that of Ohio"—which makes it difficult to get the attention of boards of directors of American companies. This is particularly the case given the number of competing investment destinations. Increased regionalism is a key to addressing this issue. Poor governance and corruption together make up another important deterrent—the Foreign Corrupt Practices Act makes it difficult, indeed illegal, for American investors to invest in Africa. Africa is also perceived to be conflict-ridden or at least conflict-prone. The issue of rule of law, in particular the risk of arbitrary government action, was also raised. The fact that Africans themselves are not investing in their countries (an estimated 40 percent of African capital has fled the continent) gives foreign investors neither comfort nor confidence. Governance, according to Crocker, is "Africa's number one priority." Instituting "performance-based legitimacy" is critical. African countries need to identify their respective comparative advantages and focus on exploiting these. Capacity building and retention of African skills are also important. More needs to be done to harness the resources of the African diaspora. It was noted that there are 50,000 African PhDs residing outside of the continent. Lastly, Crocker stated that Africa has a unique opportunity—the continent is "in play," receiving more foreign interest than ever before. How long this "magic moment" lasts, given commodity cycles, is a key question.

**Michael Spicer** emphasized the need to focus on micro-economic reform initiatives. The example of South Africa's Accelerated and Shared Growth Initiative (ASGISA) was given with its emphasis on "binding constraints." A key issue is the capacity of government departments to implement policies. Emphasis was also given to the Investment Climate Facility promoted by the Commission for Africa, and its focus on micro-initiatives such as property rights, business registration polices, taxation, and customs regulations. To this Spicer added that African governments need to go beyond rhetoric and increase their commitment to regional integration. There was also a genuine need to reform agriculture, in particular to deal with tenure issues. Spicer also noted that the activities of countries other than U.S. and China (e.g., Russia and South Africa) should not be overlooked. Lastly, it was important to improve accountability. Governance schemes such as the Extractive Industries Transparency Initiative need to be built on.

**Yu Yongding** noted that given the combination of a high investment (45 percent) and savings (50 percent) GDP ratios, China will be able to sustain its current high growth rates for the next two decades. China's current demand for energy will be sustained for some time. China's oil dependency ratio (proportion of imports) is also likely to increase from the current 40 percent to 60 percent in 2010. Yu did not see any major rivalry between the U.S. and China. It was important that China talk

with the U.S. and other powers to ensure an alignment of policies to “help countries solve their problems.” China’s energy strategy involves increasing its energy efficiency through more market-related pricing, the readjustment of the economy towards light manufacturing and services, and the introduction of new technologies. Lastly, China has the resources to be a heavy investor in Africa, but concedes to not having much experience with outbound investments, and has graded the African investment climate as difficult. With improvements in this area, more private-sector Chinese investors are likely to enter the continent.

**Witney Schneidman** made five key points with regard to Africa’s extractive sector. Firstly, there is mutual interdependence among China, U.S., and Africa—with the former two becoming increasingly reliant on Africa for oil imports, and Africa increasingly reliant on the oil sector revenues. Secondly, ensuring security of supply is critical. This will require focusing on sources of instability, e.g., the Niger Delta; ensuring that revenues are used to promote local development; and promoting initiatives such as the mooted Gulf of Guinea Commission. Thirdly, international regimens such as the Extractive Industries Transparency Initiative should be promoted. The Kimberley Process Certification Scheme has been generally successful, and lessons learned can be applied to other natural resources. Fourthly, deepening the corporate social responsibility efforts of multinationals is important. The Angola example (where more is spent by major oil corporations than by the U.S. Agency for International Development) was cited, where oil majors have agreed to commit U.S. \$1 million for every 100,000 barrels of oil produced to development projects. While some have invested in micro-finance initiatives and programs for the resettlement of former combatants, others have hired teams of development specialists. Lastly, it is important that the “Dutch disease” of economies dependent on single sectors and resources is understood and addressed. To this end, local procurement and broader capacity building should be promoted.

In the open discussion that followed, the notion of an African-specific development model was raised. The question was posed as to whether there are certain elements of each country’s development model that should be non-negotiable. It was suggested that African success stories be researched, and elements of these models replicated. The point was made, however, that instead of trying to arrive at a standard business model, devising guiding principles would perhaps be more effective, particularly given the tremendous diversity of African countries.

Much emphasis was given to the need for capacity building, which, it was agreed, is a critical foundation for improved development in Africa. It was argued, for example, that an educated population was a crucial underpinning to good governance. There was a consensus on the need to prevent what one delegate called the “asset stripping” of African talent. In addition to the building of “soft capital” capacity, the point was also made that investment was required in growing Africa’s physical infrastructure capacity.

The question was raised as to how the 700 Chinese companies that are reputedly operating in Africa had performed, given all the obstacles to investment raised by several of the presenters. Reasons advanced were their willingness to take bigger risks, and the fact that they had significant investment resources behind them. It was noted that European and South African companies are also already heavily invested in Africa—and additionally outside of the natural resources sector. This was ascribed to their willingness to invest for the long term, and their ability to build experienced management teams able to navigate the local business terrain. Lastly, there was discussion around the need for African countries to sell themselves more aggressively by way of trade missions and other international marketing initiatives.

## **Promoting Conflict Resolution, Human Rights, Governance, and Democracy in Africa**

This session focused discussion on five key questions: Which countries are ripe for conflict resolution, and what strategies are the most effective for ending conflicts? Under what circumstances is governance likely to improve? Are elections essential for countries emerging from conflict? To what degree do poverty reduction strategies reduce the likelihood of conflict and corruption? What are the most effective strategies for advancing human rights in Africa?

**Lopo do Nascimento** stated that peace could only be attained and consolidated if all antagonists were brought into a power-sharing, consensual project of national reconciliation. This was important, as most armed conflicts in Africa resulted from political, social, or economic exclusion. He believed that the Western-style winner-takes-all democratic system was not appropriate for Africa. Consensual nation building was also more important than elections.

**Tao Wenzhao** said there were many different reasons for conflicts in Africa, including colonial legacy, tribalism, religious differences, and competition for resources, and so each case had to be treated on its merits. He felt that development and social stability were very important prerequisites for good governance. Democratization could be good or bad. It was good when it helped establish political consensus and shake government complacency. It was bad when it awakened sleeping ethnic divisions, as in the Democratic Republic of the Congo (DRC) and Sudan. So the international community should not push too hard for democracy. Tao also distinguished a different Chinese view from the West’s on human rights, saying that in developing

countries the responsibility to society was more important than personal rights. Tao also felt the world should leave African conflicts to African countries and the AU to resolve. The world should be more patient about letting them do the job. And, like Do Nascimento, he believed that the only real basis for enduring peace was national reconciliation and consensus on a political agenda. This was in some ways more important than elections.

**Nancy Soderberg** said that 12 years after the Rwanda genocide, the world's inaction in Darfur showed how little progress it had made in figuring out how to prevent genocide and crimes against humanity. Consensus between the U.S. and China on Darfur could help resolve the Darfur problem. The inaction existed despite UN Secretary-General Kofi Annan's enunciation of the principle that the world had a "responsibility to protect" suffering people. Soderberg said China needed to give consideration to this principle, as opposed to its present commitment to the principle of non-interference in the internal affairs of countries—which was no longer internationally acceptable. She said Sudan had played a very sophisticated game of talking peace but doing nothing, and playing the African card by insisting on only an AU peacekeeping force in Darfur, knowing that it would not be effective. One way China could help would be to train a brigade of African peacekeepers for the proposed AU African Standby Force, to join other brigades trained by the G8. She disagreed with Tao that the world should leave the resolution of African conflicts to African nations and the AU, as the AU was very far from being able to deploy its standby force. She proposed a joint East-West approach to Darfur led by South Africa, the leading moral force on the continent.

**Tom Pickering** said that the veto right of the permanent five members of the UN Security Council created a problem when dealing with issues like Darfur. He suggested that the permanent five members of the UN Security Council should agree that on decisions about intervention to stop genocide, a large consensus in the UN should prevail over anyone's veto right. This "drove a dagger into the heart" of China's principled opposition to interference in a country's internal affairs. But the world was moving forward, and for China to block intervention to stop genocide would constitute a problem. Returning to the energy debate of earlier sessions, Pickering questioned whether it was ethical for countries to use aid and arms sales to win oil contracts in Africa. But he thought the competition for African oil should be put on a purely commercial footing, in which case the competition between the U.S. and China would benefit Africa.

In the ensuing discussion, many participants expressed the view that African countries had not identified or expressed their own self-interests—as opposed to the interests of the U.S. and China—or what it felt the world should do to help the continent. A comment was made that Africans should address their own problems first, such as improving economic and military integration, before calling on the world. The question was raised what exactly comprised U.S. policy on Africa, apart from the almost exclusive focus on Darfur. The case of Zimbabwe was used as an example, and it was agreed that this was partly fair criticism, as President Bush was not engaging Africa as much as he should. His concern with Sudan was interpreted to largely reflected pressure from the constituency of the Christian right rather than a general interest in Africa. Nonetheless it was felt that Africa, and especially South Africa, had also failed on Zimbabwe. It was, however, noted that Bush had launched or supported several significant programs on Africa, including the African Growth and Opportunity Act (AGOA), the Millennium Challenge Account, and the President's Emergency Plan for Aids Relief (PEPFAR—announced in 2003 and comprising a five-year U.S.\$15 billion initiative to turn the tide in combating the global HIV/AIDS pandemic). But criticism was leveled at a failure to bring these programs together into a coherent Africa policy. There was some debate around the contention that U.S. Africa policy was more value-driven and China's driven more by its own interests. There was also discussion around Tao's view that consensual politics was more important for Africa than multiparty elections. A contrary view was expressed that in dozens of African countries, citizens had demonstrated that they did in fact want the vote. Polls demonstrate that Africans overwhelmingly want democracy including, specifically, elections as a legitimizing process and not just the vote. Ultimately the decision should lie with Africans themselves as to whether they are guided by the U.S. or Chinese political models, given that multiparty democracy may or may not be the optimum solution for Africa. There was also a lively debate on China's policy of non-interference, which had been repeatedly articulated during the dialogue.

The view was expressed that China could not logically claim to pursue a policy of noninterference, since, by investing in African countries or selling arms to repressive regimes, it was already interfering by contributing to the ability of those regimes to suppress their people. The statement was made that "care should be taken that no-one becomes guilty of being the last bastion of the worst rulers." As a case in point, the Angolan government had stated that it did not need the West anymore, because it had new friends—the Chinese. The Angolans were openly playing China and the West against each other—a strategy that should be discouraged, as this raised the spectre of a re-emergence of the Cold War. Sudan was a good opportunity and a test case for China and the U.S. to work together in the UN Security Council to address the concerns of conflicting interests.

It was pointed out that the U.S. had apparent contradictions in the application of its policy, in that it was prepared to make major investments in China, even though it regarded its government as a repressive regime. That being the case, why was it raising objections over China's investments in repressive African regimes? China had the interests of its own large population to consider first and foremost, before contemplating solutions in the countries with which it had relations. China considered

that it could lead by example with “quiet diplomacy,” but, in a changing African environment, the AU itself had altered Africa’s non-interference policy for severe cases such as genocide, and this had stimulated intellectual debate in China about whether it should also review its policy. A Chinese contribution to training the regional brigades of African peacekeepers, as proposed by Soderberg, was feasible, and China and the U.S. could co-operate on this. On the energy issue, it was stated that since China was largely self-sufficient in oil, it therefore had much less impact on global oil markets and prices than the U.S.

A consensus appeared to be emerging in the discussion that the U.S. and China were not so far apart on Africa, and that they could together create a new set of rules—reminiscent of the Sullivan Principles for U.S. businesses operating in apartheid South Africa—on how to do business with Africa. These could perhaps be called the Tswalu Principles. Both U.S. and Chinese participants noted that the U.S. and China were already co-operating on several issues such as the Iran nuclear proliferation crisis, and through the G8 dialogue with China and other emerging economies. They should therefore be able to extend their cooperation in Africa.

## Strategies for Enhancing Cooperation among Chinese, Africans, and Americans

The summary session offered an assessment of what had been learned over the two days, as well as an identification of areas for future cooperation and support to African development efforts.

**Greg Mills** began the session by noting that while there may be no strategic conflict currently between the U.S. and China in Africa, there could be conflict between African countries and the larger powers. He also noted that Chinese growth was the key dynamic factor, as it was changing basic relations so rapidly. Areas of possible tension among Africa, China, and the U.S. might include governance, growth models based on natural resource growth, democracy, and better use of aid. Contrary to the general assertion that there was a contradiction between China’s Africa activities and improved standards of African governance and democracy, good governance was in fact in China’s best interest, as it was the best means to ensure that investor interests could be safeguarded—a realization that Western countries had already come to in Africa. Similarly, democracies have consistently performed better economically than autocracies. Moreover, support for autocratic governments by external powers was likely to pit them against African citizens who had consistently fought for such rights. Dr. Mills also highlighted an important distinction between the nature of U.S. and Chinese commercial relations with Africa. While China had a similar appreciation of the value of Africa in commercial terms, Chinese interests were pursued almost exclusively through state-owned companies. In the American case, commercial ties were, by contrast, almost exclusively private rather than public.

**Yu Yongding** continued the presentations by noting that China’s Africa policy was changing, and that currently stated policies might not continue indefinitely. He noted that China wanted countries to have stable political systems, that China was opposed to genocide, and that it supported the international community in the acceptance of intervention to prevent genocide. He also expressed concerns about the instability that might be caused by the promotion of democracy.

**Witney Schneidman** concluded by focusing on specific areas in which China and the U.S. could co-operate to promote their respective interests and the interests of Africa, including conflict prevention, integration into the world economy, health care (HIV and malaria), energy, good governance, and capacity building. He hoped that a set of principles—coined by another participant in the preceding session as the Tswalu Principles (see above)—might emerge from the three dialogues that would guide actions in all of these areas.

In the comments following the presentations, there was a focus on what had been learned and what still needed to be studied. Several speakers focused on the need for African countries to more clearly delineate the advantages created by the increased interest in the continent. African countries had some very broad goals when interacting with the U.S. and China, but needed to become much more specific about their aims, given that all countries would be acting in their own self-interest. The need to gain greater specificity about the advantages posed by the new interest in Africa was especially great, given the fundamental differences among African countries. In particular, relatively few African countries have oil, the focus of much of the discussion over the two days. There was also some discussion about whether U.S. policy was based on values (even if the actual values were not often reflected in specific policies), while China’s policy was grounded in a more obvious set of interests. Finally, as planning began for the next session, a requirement was tabled to address how to represent the multiplicity of views on the African continent.

## Topics for Further Debate

The following are suggested as specific topics—and papers to be commissioned—for the next event scheduled to be held in China in February 2007.

- What are the composite elements (business, societal, governmental) of U.S. and Chinese relations with Africa?

- How might the U.S. and China co-operate to end the Darfur crisis?
- How might the U.S. and China co-operate to end the Zimbabwe crisis?
- How might the U.S. and China co-operate in the commercial and economic opportunities facing African countries?
- How will China's rise affect the political and security challenges facing African countries?
- How will the rise of other actors besides China (e.g., India, Iran, Russia, the EU), affect China's and America's relationship with Africa?
- How might the U.S. and China co-operate to promote good governance in Africa—and how might the two powers define good governance?
- What is the most productive way for the U.S. and China to assist Africa through aid, with emphasis on the area of capacity building, infrastructure development, health, agriculture, corporate social responsibility, and good governance?
- What might the Tswalu Principles comprise, to guide external actions in Africa?

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## Africa-China-U.S. Trilateral Dialogue

**Beijing, China**  
March 5–6, 2007

The Brenthurst Foundation  
Chinese Academy of Social Sciences  
Council on Foreign Relations  
Leon H. Sullivan Foundation



## Introduction

The emergence of China in Africa is arguably the most important development to impact on the continent since the end of the Cold War. At the same time, the United States and other Western governments have begun to focus on Africa as never before. This is taking place in a multi-lateral context, especially through the G8, as well as bilaterally. Foreign assistance levels are at historic highs and investment in Africa is growing, especially in the extractive sectors. While Africa is experiencing strong economic growth and a steady increase in democratic governance, poverty is also growing and several conflicts continue without the prospect of near-term resolution. Against this backdrop, the Leon H. Sullivan Foundation, the Council on Foreign Relations, the Brenthurst Foundation in South Africa, and the Chinese Academy of Social Sciences agreed to engage in a three-meeting dialogue. The purpose of the project is to identify ways to enhance cooperation among China, the U.S., and African countries in order to enhance social and economic development in Africa.

The first meeting of the Trilateral Dialogue, held at the Tswalu Kalahari Reserve in August 2006, early on reached a consensus that there was not a strategic conflict between China and the United States in Africa, but rather areas of mutual interest as well as areas of competition—and some areas of important differences. The meeting served to clarify the general views of each delegation on priorities, and on perceptions of both common interests and differences. It was agreed that the second meeting would examine principles that both China and the United States, in conjunction with Africa, might follow in assisting Africa and in promoting investment as well as areas of possible cooperation between China and the United States in Africa. Questions about governance, regions of conflict, and the environment arose in the discussions that could be analyzed in the context of such principles.

This report is from the second meeting held in Beijing in March 2007. The theme of the meeting was “Towards African Development and Win-Win Cooperation.” There were a large number of observers at the Beijing meeting, primarily from other Chinese think tanks and government departments. There was valuable interchange with this broader Chinese representation during the meeting and at lunches and dinners that enriched the discussion.

## The Chinese Perspective

The Chinese delegation presentations underscored the complexity of China’s engagement in Africa.

Perhaps most fundamental was the question of whether African nations can replicate China’s road to development, or that road is closed off to Africa. While debating that point, there was agreement that only very few countries have benefited from an over-reliance on the extractive sectors.

The Chinese delegation noted that 2006 was the year of China’s diplomacy in Africa and, in fact, a strategic relationship has been forged between China and Africa. This is predicated on China being the world’s largest developing country. South-south cooperation, therefore, is in the interests of all developing countries. China has been very proactive in developing a broad range of initiatives in Africa, including 30 anti-malaria centers and 100 new agricultural schools.

China has a number of objectives in Africa. These include promoting security, developing energy resources, helping Africa embrace globalization, and improving health and education. Naturally, there are points of divergence and convergence in working to achieve these goals, but the Chinese emphasized the need to improve relations through cooperation.

Chinese participants noted that African countries have a new opportunity to “own” their decisions over development and other issues, especially given the demise of the Cold War. At the same time, it is apparent that not all African countries have benefited equally from globalization. As one Chinese scholar put it, “It is the responsibility of the world community to help Africa develop but, at the same time, Africa must adapt to increased globalization.”

The delegation recalled the consensus in the first meeting that there is no strategic conflict between the U.S. and China in Africa. As one CASS scholar pointed out, China does not compete with the U.S. for spheres of influence or supremacy. Moreover, the concept of zero-sum does not exist in U.S.-Chinese relations. The recent six-party talks on denuclearization of the Korean peninsula is the most recent example of this.

Business competition in Africa will take place but that is not necessarily a negative. After all, China, as the world’s largest developing country, has experiences to share, especially in the private sector, and this can benefit Africa as the continent becomes more important in global affairs.

In terms of differences with the U.S., the principle of non-interference in the internal affairs of other countries is a key principle of China’s foreign policy. Moreover, China and the world have a responsibility to protect and this is one area where China and the U.S. can cooperate. According to a Chinese scholar, the outside world should not push Africa to democratize too fast. Consensus politics is more important than elections. As it concerns human rights, this is an issue of national sovereignty, and other countries should not interfere.

As for good governance, one Chinese scholar reminded the delegates that all nations are governed by a series of UN principles that lay out a framework to promote cooperation in all aspects of humanity. These frameworks address a range of issues that need to be respected such as combating terrorism, protecting refugees, and working with the UN Security Council. The African convention on combating corruption is another important set of principles that needs to be respected.

It is also apparent, in the view of the Chinese delegates, that there is no consensus on a definition of good governance. Given the challenge of establishing a modern society, there should be recognition that strong economic development can be built under authoritarian regimes. Nevertheless, China gives its aid to Africa with no strings attached and recipient countries play a major role in deciding how to utilize that assistance. China has forgiven substantial Africa debt to China and provided concessional loans and technical training. The role of reciprocity in foreign relations is very important and international cooperation should be increased. There is also a need to be realistic in situations such as Darfur and not use a double standard (referring to U.S. political and business involvement in some countries with questionable human rights records).

Chinese delegates advocated providing more support to agriculture and ensuring that more technology transfers take place. China has also paid a lot of attention to the sequence of development and carefully timing the introduction of certain factors. However, it should be accepted that there is no Chinese model of development that Africa should follow. China, nevertheless, has come to understand that investment-based growth strategies are more effective than aid-based strategies. When it comes to economic development, China, as one proverb suggests, is crossing the river by feeling the stones.

## **The African Perspective**

Citing former UN Secretary General Kofi Annan, an African delegate pointed out that despite a growing interest in the continent, it is essential to avoid another scramble for Africa. In fact, agreements should be fair and stand the test of time. At the first meeting of the Trilateral Dialogue in South Africa, African delegates underscored that China and the U.S. are Africa's most important commercial partners. As a result, there is a need to revisit Africa's present and future priorities to determine how the U.S. and China can best support the achievement of these priorities. Africa is looking toward a level playing field on global trade and good governance and reduced leakages into wrong hands. In the African view, there is a need for increased resource mobilization, especially debt relief, and China and the U.S. can help in this respect.

Another African delegate posed a series of questions that impacted on the Chinese and American presence in Africa. For one, is there a new aid paradigm, given the commitment to increase aid flows from the U.S. and China? More specifically, when it comes to Africa's development, can the divergent interests of the U.S. and China be reconciled to Africa's benefit? And how does Africa handle the increased interest of the U.S. and China in its commodities?

It was also pointed that poverty reduction is at the top of NEPAD's agenda. Another focus is on agricultural workers in rural areas.

It was added that, from the African perspective, there is no reason to believe that the U.S. and China will cooperate automatically. In fact there are obstacles to cooperation. For example, it will not be easy for Africa to move up the industrial ladder because Asia dominates the light-manufacturing sectors of global production. As a result, Africa will have to rely more on exploiting its natural resources and using the revenues much more effectively. China and the U.S. can help Africa the most by strengthening institutions to ensure that these resources are accounted for and invested in human and national development.

While there was considerable discussion about Africa's commodities, one African delegate underscored the importance of not looking at Africa exclusively through the lens of energy production and consumption. This is important because Africa has its own strategic needs, which stem from the fact that the continent is negatively integrated into the global economy, in part due to its over-reliance on commodities. Therefore we have to be very clear about how cooperation between China and the U.S. can help Africa achieve diversified and sustainable growth. This cooperation needs to be extended to civil society that is also important to the development process.

One African delegate commented that it was important to be candid about the differences in U.S. and Chinese involvement on the continent. For example, African governments want development as their first priority while Western governments tend to emphasize policies that focus on improved governance and accelerated growth. China, on the other hand, believes that civil society is not a substitute for national leadership and that China's primary relations are with government. China, it was noted, does not change its policy if the government changes, which also can lead to challenges.

An African delegate noted that Africa has taken great strides forward, illustrated by the success of the African Union, the New Partnership for Africa's Development, and the African Peer Review Mechanism. The refusal by the AU to recognize unconstitutional seizures of power is another significant development.



As for the situation in Darfur, an African delegate said that the U.S. needs to ensure that it follows through on its commitment to give training assistance to the African stabilization force. At first, the AU went to the UN to help resolve the problem in Darfur. The major problem emerged when the AU couldn't sustain its peacekeeping effort. China and the U.S. should help, and UN decisions should be binding. Peacekeeping operations should be funded and the UN should have authority.

## The American Perspective

The American delegation acknowledged that there are legitimate areas of commercial competition between China and the United States in Africa, and it would be helpful to identify rules of the road in order to minimize the negative aspects of this competition.

An American delegate noted that Africa is "in play" like never been before. While the continent could receive as much as U.S.\$50 billion annually in development assistance by 2010, we have to be honest about the challenges. It is projected that in 2030, for example, Africa will be the only region in which absolute poverty will still exist. The threat of climate change also has negative consequences for Africa, as it could lead to enhanced droughts and flooding. Therefore, with per capita food production declining, we have to ask if we have developed the appropriate science and technologies for Africa. The question becomes: How can we cooperate to break the back of the most immediate challenges, such as malaria and AIDS?

With regards to the use of Africa's energy resources, the U.S. and China have common security interests. China relies on Africa for 25 percent of its imports and the U.S. receives 15 percent of its imports from Africa, and that figure is rising. This reliance, which provides a framework for common interests in the energy sector, is increasing for both the U.S. and China. For example, there is agreement on the need for security of supply and price, and the need for access to acreage. At the same time, Africa needs security of demand and stable prices and income. For other African countries, they need steady prices.

At the same time, the U.S. and China have different strategies for the way in which they approach the African energy market. The U.S. encourages transparent bidding while China seeks exclusive access to supply through subsidized loans or by adding aid elements to its competitive bids. In short, the difference between the American and Chinese approach is found in the promotion of competitive tenders versus the preference for closed deals or less-than-transparent subsidies. There is no question that transparency is the most effective way to promote sustainable development through commodity earnings. China, which is relatively new to the African energy market, can benefit from the mistakes that the U.S. has made in West Africa's energy sector, e.g., environmental damage, government corruption, and ignoring for too long social and economic disparities.

Another American delegate made the point that coordination is essential when it comes to conflict resolution because civil wars do not solve themselves and entire regions can be infected by them. At the same time, it matters which states intervene in the effort to resolve conflicts, and it is essential to remember that it is easier to get involved in a conflict than it is to get out. One priority for conflict resolution is to increase the capacity of mediation, especially upgrading the capacity of UN envoys, AU diplomats, and peacekeeping forces. China is increasing the number of troops it makes available to peacekeeping operations, and this is a welcome development. In the Sudan, there is an absence of cohesion in the CPA, and there is no unity of effort. In Darfur, the worst of the genocide may be over but violence continues and the peace process is stalled.

In the view of another American delegate, Africa does not have a satisfactory mechanism for peacekeeping, especially in peace enforcement. This has led to various external interventions, including by the British and French. At the same time, no one has volunteered to disarm the FDLR in the Congo. This lack of African peacekeeping capability puts the continent at a disadvantage. To make matters worse, the goal of training an AU intervention force of 75,000 by 2010 will not be met even though the G8 has put this issue on their agenda. There was agreement with the principle of protecting sovereignty and non-interference. However, the world has also signed on to the responsibility to protect. Unfortunately the Permanent 5 in the Security Council has looked the other way in too many instances where such protection is needed.

Taking a different tack, an American delegate said that it is apparent that poverty is a major source of conflict in Africa. Governance, or the lack of it, is also an important factor. At the same time, we should give more opportunities for Africans to solve African problems. African interests should be considered first. We need a balance between non-interference and non-indifference. We can not let another Rwanda occur. We need multilateralism, not unilateralism, and we need to use the UN. We need more communication between the U.S., China, and Africa. The Trilateral Dialogue is a good beginning.

Another American delegate noted that the majority of countries in Africa are relatively stable and the building of democracy is basically correct. The peer review mechanism is an effective means to monitor governance. In order to support these positive trends, many African countries need foreign direct investment and technology transfer. NEPAD also needs support from the U.S, and China as do regional initiatives. Despite these positive trends, there is a concern that Africa's security situation will be overtaken by an anti-terrorist campaign.

In terms of accelerating African development, an American delegate emphasized the importance of strengthening the capacity of entrepreneurs and civil society organizations. It was also noted that corruption and crime are the largest taxes on development. In comparing development in China and East Asia, the point was made that most countries in the region pursued sound economic strategies, were effective in attracting FDI, and were successful in developing their human resources.

Whether China can serve as a development model for Africa remains to be seen. For example, in a generation, China has gone from the thirtieth largest in global trade to the third largest. It is also a country that has thousands of years of centralized management and effective bureaucracy. As for China's unconditional loans in Africa, it is too soon to know if they will work. There is no question they represent a genuine risk.

## Statement of Principles

The American delegation circulated in advance of the meeting a draft statement of principles that might guide external aid and business involvement in Africa. The delegations at Beijing preferred not to address that paper. But the African delegation produced its proposed statement of principles at the closing session. It addresses issues such as governance, the environment, support for African priorities, etc. This paper will be studied by the three delegations in preparation for the third meeting.

## Next Steps

The three delegations agreed that they would consult on dates for the third and final meeting to be held in Washington. The proposed dates are in early September. They agreed that the final meeting should focus, in addition to the African paper on principles, on success stories and areas in which there might be collaboration between the Americans and Chinese in support of Africa's development objectives. Health and agriculture, as well as peacekeeping and security were mentioned in particular.

## Participants

### Chinese Delegation

Professor Yang Guang, <i>Chair</i>	Director-General, Institute of West-Asian and African Studies
Professor He Wenping	Director of African Studies, Institute of West-Asian and African Studies
Professor Tao Wenzhao	Institute of American Studies
Professor Yu Yongding	Director, Institute for World Economic and Political Studies
Professor Li Zhibiao	Institute of West-Asian and African Studies
Professor Yang Lihua	Institute of West-Asian and African Studies
Professor Ru Xin	Former Vice President, CASS
Professor Zhang Hongming	Deputy Director-General, Institute of West-Asian and African Studies, CASS
Professor Cui Yongqian	Former Ambassador to African countries
Professor Xu Weizhong	China Institute of Contemporary International Relations
Professor Wang Hongyi	China Institute of International Studies
Professor Cui Yongqian	Former Ambassador to African Countries
Professor Zgang Youyun	Deputy Director, International Co-operation Bureau, CASS

### African Delegation

Dr. William Lyakura, <i>Chair</i>	Executive Director, Africa Economic Research Consortium, Kenya
Professor Stephen Chan	School of Oriental and African Studies, University of London
Ambassador Joe Mollo	CEO, Corporate Diplomats and Former High Commissioner of Lesotho to the United Kingdom, Denmark and Canada
Mr. Michael Spicer	CEO, Business Leadership, South Africa
Hon. Patrick Mazimhaka	Vice Chair, African Union Commission, Addis Ababa, Ethiopia
Hon. Sydney Mufamadi	Minister of Local and Provincial Government, South Africa
Hon. Lopo do Nascimento	Former Prime Minister of Angola
Dr. Greg Mills	Director, Brenthurst Foundation, South Africa
R. Adm. Steve Stead	Brenthurst Foundation, South Africa
H.E. Mrs. Naomi Majinda	Botswana's Ambassador to China
Dr. Jeffrey Herbst	Provost, Miami University of Ohio, USA
Mr. Mauro de Lorenzo	American Enterprise Institute, USA
Mr. Edmund Daukoru	Nigerian Minister of Energy

**American Delegation**

Ambassador Princeton Lyman, *Co-Chair*

Ambassador Andrew Young, *Co-Chair*

Dr. Witney Schneidman

Professor Chester Crocker

Ambassador Nancy Soderberg

Mr. David Goldwyn

Ambassador J. Stapleton Roy

Adjunct Senior Fellow, Council on Foreign Relations

Chairman of the Board, Leon H. Sullivan Foundation

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## Africa-China-U.S. Trilateral Dialogue

**Washington, D.C.**  
September 10–11, 2007

The Brenthurst Foundation  
Chinese Academy of Social Sciences  
Council on Foreign Relations  
Leon H. Sullivan Foundation

This report summarizes the main points of the discussion during the third meeting of the Trilateral Dialogue, held in Washington, D.C., in September 2007. During the two previous meetings in Tswalu, South Africa, and Beijing, China, delegates explored areas of strategic and national priorities as concerned Africa and issues related to the continent's development. During the Washington meeting, delegates focused more on illuminating areas on convergence and divergence, and on areas of potential cooperation between China and the United States in Africa. Members of the delegations expressed a desire to continue the dialogue and various ideas for doing so were put forward. At the close of the meeting, delegates issued a joint summary of what had been accomplished during the three meetings, indicating the areas of convergence and divergence, and provided recommendations for policy makers and others interested in fostering greater collaboration among Africans, Americans, and Chinese in Africa.

## **Main Issues**

By the time of the third meeting in Washington, D.C., the three delegations had explored a wide range of issues relating to African, Chinese, and American interests on the continent. The issues included, among others, strategic interests and objectives, the promotion of good governance and democracy, different models for economic development, and responses to the situation in Darfur, Sudan. The theme established in the first meeting, that there was no strategic conflict between China and the United States in Africa, continued to be a principal backdrop for identifying both convergence and divergence in views about their respective involvement in Africa and how that involvement could best serve Africa's needs.

At the Washington meeting, the primary issues of discussion, as reflected in the agenda and discussions, were:

- Business principles for Africa, based on a paper put forward by the African delegation;
- Governance and corporate social responsibility in Africa;
- Peace and security promotion in Africa, particularly in Darfur; and
- Potential Chinese-American cooperation in agriculture and health programs in Africa.

## **Business Principles in Africa**

The topic of business principles centered on the African delegation's paper, "Business Principles for a Strong Africa," which put forward a framework of principles to guide the conduct of businesses in Africa as well as that of the international community and African governments. The paper contended that the post-colonial era had given way to the era of globalization in Africa and, as a result, there needed to be a shift by Africa's partners from an aid-centered to an enterprise-centered approach to economic development on the continent. In short, the paper identifies trade and investment as being more important for Africa's long-term development than a reliance on donor-driven aid. While aid is not necessarily detrimental, it must be used more constructively, such as in infrastructural investments and institutional reform.

**The six main business principles put forward in the document are:**

- An improvement in transparency and corporate governance, since serious investors will only invest where international norms of accountability and openness are in place;
- A wider application of the principles of good corporate behavior in key areas;
- A shift in the international approach to Africa from aid to partnership;
- A set of goals for competitiveness (the "Millennium Development Goals for Competitiveness") incorporating measures of economic freedom and administrative efficiency;
- A greater emphasis on technology transfers and value added production on local resources in negotiations with foreign firms; and
- A greater commitment among African countries to become more competitive, from lowering the barriers and doing business to developing and holding skilled labor.

## **Corporate Social Responsibility (CSR)**

There was a discussion on several codes of conduct, including the Global Sullivan Principles, the Equator Principles, the Voluntary Principles on Security and Human Rights, the UN Global Compact, and the Extractive Industry Transparency Initiative. One aspect of the discussion examined ways that businesses and countries could begin to establish minimum CSR standards.

American delegate David Goldwyn highlighted the Extractive Industries Transparency Initiative (EITI) as one example of applying corporate accountability guidelines to businesses and governments. Focusing on oil, gas, and mining, EITI is a multi-stakeholder process where businesses, governments, and civil society organizations sign on to a voluntary set of principles and work together to create good governance standards in resource-rich developing countries. By setting an accessible standard, EITI allows countries to make a minimum commitment to publish revenues from their extractive industries while concurrently encouraging transparency among companies by having them publish their payments.

Another approach to CSR examined the ways that private enterprises can promote development, while pursuing their commercial objectives. American delegate Stephen Hayes used the example of his organization, the Corporate Council on Africa, to explain some private sector approaches to development programs in Africa. “Corporate social responsibility has emerged as an opportunity to drive business,” he argued. “It provides businesses with an opportunity to create local entrepreneurs to support the local business environment.” While Hayes admitted that political pressure also influences companies to initiate development projects, he contended that they could never operate as pure philanthropic programs but, in the best examples, work as business-community partnerships. Further, businesses cannot replace the role of governments (such as its role in education or water purification programs) but can act as important partners by “enhancing an environment for doing sustainable business.”

## **Agriculture and Health**

Looking to specific areas where China and the United States might cooperate in Africa, the delegations explored past initiatives and current needs in agriculture and public health. Presenting a paper on behalf of the UN Food and Agriculture Organization (FAO), Howard Horjt stressed the importance of agricultural development for a country’s growth and the inadequate funding such programs receive in Africa. Citing studies that demonstrated the importance of agricultural production for growth, Mr. Horjt recommended that donors and business invest in expanding small- and medium-scale irrigated agriculture, improve rural infrastructure, and increase African farmers’ access to affordable technology so they can increase food supply as well as develop export capacity. He argued that these areas were ripe for cooperation among Africa, the U.S., and China since they all shared the same objective of achieving sustainable social and economic progress.

Chinese delegate Dr. Zhang Yongpeng highlighted China’s history of public health work in Africa, stretching back to 1963 in Algeria, and emphasized that his country’s qualities of hard work and solidarity with Africans have led to many successes in this sector. During this period, 15,000 Chinese doctors have worked in 47 African countries, where they have helped train Africans and provide medical services. Chinese doctors have given millions of individual treatments and Chinese acupuncture and medicine have contributed to an improvement in Africa’s health infrastructure. Areas of possible Chinese-American cooperation included malaria treatment and prevention, where both countries are active, and health personnel training.

## **Peace and Security**

On the topic of peace and security, the Deputy Chair of the African Union Commission, Patrick Mazimhaka, argued that the situation in Darfur was emblematic of the broader challenge to peace in Africa: namely, lack of resources and capacities to address conflicts. As Mazimhaka explained, the African Union Mission in Sudan (AMIS) simply lacks the full access to proper logistical and field support to be more effective on the ground and urgently needs the assistance of outside actors.

The Darfur experience also resonates in other situations in Africa, such as the Somali conflict and with regard to the proliferation of small arms and light weapons, where countries lack the resources to monitor border crossings and the manpower to respond to armed conflict. The answer to these problems, however, does not lie in abdicating responsibility to outside powers. As Mazimhaka stated, “We need to have a major program of building our own people’s capacity to deal with humanitarian disasters.”

Regarding Darfur, he noted that a principal obstacle to the establishment of a UN peacekeeping force had not been so much members of the UN Security Council but the opposition of the Sudan government. Mr. Mazimhaka reiterated the need for assistance in military operations in Africa. He also suggested that China and the U.S. align their diplomatic initiatives to help negotiate a resolution to Darfur and other conflicts on the continent. “Peacekeeping goes through two phases,” he said, “one, negotiations for a political solution and two, field operations to ensure respect for the agreed ceasefire.” It is in this latter area that Africa needs assistance: “Africa cannot do this with its own resources.”

The discussion of Darfur continued later in the meeting. China questioned the analysis of the problem as featured in western news media. The Chinese delegation argued that it was ultimately about climate change and resource sharing. China respected Sudanese sovereignty but worked through quiet diplomacy to bring about a settlement in Darfur. The African delegation implored the U.S. and China to do more to address the problem in Darfur. While progress had recently been made on introducing a hybrid UN-AU peacekeeping force and arriving at a peace negotiation, the problem remained dire in many respects. Americans felt that more pressure on the Sudanese government would be necessary.

## Guest Speaker

The lunchtime presentation by Dr. David Gordon spanned security, energy, business, and governance on the continent. The increasing U.S. and Chinese interests in Africa could propel Africa to new global economic significance and could produce a healthy “win-win-win” relationship among the three actors. Africa, however, had to take the lead in shaping these developments by setting the agenda for international engagement and public-private partnerships. Dr. Gordon emphasized that the U.S. and China could both play important roles in promoting transparency and governance in African countries. “For China,” he said, “the challenge is to be more fully responsive to the principles of transparency, even where Africans are not fully embracing them.” He encouraged all, for example, to support EITI. On security, Dr. Gordon acknowledged China’s role in helping achieve Resolution 1769 calling for a hybrid force in Darfur. Pointing to strong public attention to the Darfur situation in the United States, he advised that non-state actors have an influential voice in America and they reflect deep distress about the situation in Darfur that is not anti-Chinese but rooted in humanitarian concerns. He encouraged Chinese and American embassy officials to establish closer relationships and welcomed the Trilateral Dialogue as one way to deepen relations.

## Areas of Agreement

The delegates from all three parties reiterated that the U.S. and China share some of the same objectives in their policy toward Africa, including a mutual desire to promote social and economic growth on the continent. Despite inevitable differences, the common objectives provide an atmosphere for future cooperation.

All delegations also agreed that Africa must not depend on aid but must find self-sustainable ways to grow. One strategy to achieve this was in trade and investment. Asian countries emerged as global players thanks partly to their strong exports and robust foreign direct investment. African nations, too, can grow by opening their economies to investment and seeking partnerships with outside businesses.

At the same time, all parties acknowledged that trade and investment are no panacea and no single formula exists to achieve economic growth. The Chinese delegation emphasized a heuristic approach toward economic development and the African delegation alluded to this in their paper “African Business Principles for a Strong Africa.” Moreover, all delegations agreed that governments should continue to play an important role. Areas where government intervention is important include water purification, health, agricultural production, financial sector reform, infrastructure investments, and monetary policy.

The three delegations also saw potential for cooperation in agriculture and health. The Chinese delegation was enthusiastic about cooperation in health. Building on their impressions of each country’s comparative advantage, the U.S. could focus on HIV/AIDS assistance while the Chinese could focus on malaria. It was pointed out that the United States also has a malaria initiative, so cooperation in this field would also be desirable. Dr. Yongpeng suggested that Chinese-American cooperation could thus be broader in health funding, technology, and training. The African delegation was especially keen on cooperative projects in the agricultural sector. As Dr. William Lyakurwa remarked, “Agriculture is business. There is money to be made in agriculture ... there is a significant area of cooperation between the Chinese and the Americans in agribusiness.”

In peace and security, there was broad understanding that political stability and cooperation on pressing security issues were important. There were also emerging areas of agreement on Darfur. China’s role had become more public—for example, with the appointment of a special envoy—and its support for the UN hybrid force had been important. China continued to believe that sanctions were not a viable way to influence the Sudanese government but that constructive dialogue was now a “workable” option in dealing with Darfur (China will be contributing engineering and logistic support to the UN hybrid force). Americans continued to feel that a combination of “carrots and sticks” would be important in getting to both a peace agreement and an effective peacekeeping force.

## Areas of Divergence

While there were areas of agreement, there were other issues on which opinions diverged. From non-intervention, to democratization, to the implementation of business standards, all delegations had their differences. While no one expected to resolve these in two days delegates were willing to talk openly and candidly about them. As Dr. He Wenping remarked, these differences can also form the basis for future meetings.

One area where delegates’ views diverged was on translating business principles into practice. Citing the Chinese adage that to cross the river one needed to feel the stones, a Chinese delegate said that practice must inform principles and that implementing these principles had to proceed based on practical experience. Another member of the Chinese delegation said that while the Chinese would eventually have to address business principles in Africa, the issue needed to be researched more thoroughly. The Americans, in contrast, argued that principles like transparency have practical significance and their



adoption has proven to help governments move forward on developing the laws, procedures, and practices for implementing them.

The African delegation underscored the importance of business principles and the need for them to be “actionable” in order to prevent the misuse of the resources. The delegates agreed that more time was needed to explore ways to put these principles into action.

Related to this point were the differing views on governance and democratization. As Prof. Yang Guang acknowledged at the beginning of the meeting, the delegations believed in different sequences to development. The Chinese did not oppose democratization but argued that it should not be a pre-condition for development. There must be a balance of reform, stability, and development. The U.S. delegation believed that democracy promotion should not be delayed and argued further that principles of good governance and democracy spurred greater economic growth. The Chinese delegation argued, however, that there was no agreed upon, universal definition of “good governance.”

These debates on governance were not only about sequencing but also about respect for national sovereignty. The Chinese delegation reaffirmed its principle of non-interference in other countries’ domestic matters. This issue was especially prominent on the topic of Darfur and other cases of conflict and major human rights violations such as Zimbabwe. While there was more cooperation on Darfur recently, there remained differences in the role of international agencies, in the use of sanctions, and other ways in which these situations should be addressed.

## Looking Ahead

All three delegations felt strongly about continuing the Trilateral Dialogue. The delegates had succeeded in promoting mutual understanding, in identifying issues and possibilities, and in creating an atmosphere of candor and cooperation. While a number of meetings and projects on China’s role in Africa had been developed in both the United States and Europe, this structure was unique in its three party construct. The principles and recommendations that emerged should be transmitted to government and international organizations as well as business and other groups. Going further and referring to the discussion on agriculture, health, and business development, African delegation head Dr. Lyakurwa stated, “We wish to see some concrete actions on the way forward either by this community currently present or by other players.” Delegates considered, among other possibilities, a series of focused sectoral meetings—on agriculture and health, for example—and meetings among business leaders from China, Africa, and the United States, followed by a plenary. The structure of delegations and sponsoring organizations should also be examined to see if new combinations are desired. Delegations agreed to consider these and other ideas and to remain in touch over the coming months.

## Final Statement

Delegations agreed on a final statement about the Trilateral Dialogue that was presented to the public and the press on the afternoon of September 11. It represents an agreed view of key understandings that were reached, areas of convergence and divergence, and recommendations for future such meetings.

*This report was prepared by Joshua Marks of Marks Consulting, with assistance from Will Evans of the Council on Foreign Relations and Karna Cohen of the Leon H. Sullivan Foundation.*





## Competition or Partnership? China, United States, and Africa—An African View



### Africa-China-U.S. Trilateral Dialogue

*This document was prepared by the African delegation to the second meeting of the Africa-China-U.S. Trilateral Dialogue, Beijing, China, March 5–6, 2007. Dr. William Lyakura, Hon. Sydney Mufamadi, Hon. Patrick Mazimhaka, Michael Spicer, Amb. Joe Mollo, Hon. Lopo do Nascimento, and Dr. Greg Mills. Please note that the views expressed remain those of the individuals' alone, and should not be taken to reflect any official position.*

China's rising profile in Africa is perhaps the most significant development for the continent since the end of the Cold War. It has sparked new interest in Africa's economic potential. It has helped to elevate interest about Africa in global affairs, a profile already raised by the continent's current economic growth spurt and homespun efforts to deal with conflict and institutionalise governance regimes. Finally, China's involvement has ended European and American complacency that Africa would always belong to their sphere of influence.

No other major power shows the same interest in Africa. The Forum on China-Africa Co-operation in November 2006, which included nearly every African head of state, was the largest diplomatic meeting in the history of the People's Republic. President Hu Jintao's February 2007 trip to Africa was a catalyst for all manner of speculation on China's role on the continent. Hu's recent trip—his fifth since 1999 and second in nine months—took him through eight African states in twelve days. It came on the heels of the visit by Chinese Premier Wen Jiabao to seven resource-rich African countries in June 2006, his third trip to the continent. Compare that record to the only two official trips made to Africa by a U.S. president—those by presidents Clinton in March 1998 and Bush five years later.

Does Beijing's extraordinary level of interest reflect Africa and China's economic maturity, or does it represent something sinister, a fresh attempt to exploit Africa's natural resources? Is it of benefit to Africa? And how will growing competition between China and the United States and European countries over Africa's natural resources turn out?

China's fresh involvement comes at a dynamic juncture in Africa's history. After years of being viewed as the "hopeless continent," Africa is "in play." The continent may receive new aid (as high as \$50 billion annually), and new investment flows, especially in the energy sector (potentially \$40 billion over the next 15 years). But critical obstacles remain for the continent: principally, the twin challenges of lifting its 800 million people out of poverty, and of enjoying the technological fruits of globalization alongside increased capital and trade flows.

This paper identifies where there is a convergence and divergence between Africa's interests and those of the great powers and addresses what Africa might be able to do to ensure today's heightened activity on the continent is to its own advantage.

## **Africa's Development Situation**

In Africa, the fifty years since the independence of Ghana in March 1957 were dominated by the "great" issues of decolonization and nation-building, and the ideological struggle between capitalism and socialism. The next fifty years will be different. Today there is little disagreement in Africa about the importance of governance, the principles of economic organization and management, and commitment to democratization. African governments have acknowledged the importance of economic and political interdependence and agreed on the mechanisms for achieving these goals: the constitutive act of the African Union (AU) and the New Partnership for Africa's Development (NEPAD).

Now that the Cold War is over, Africa does not have to pick sides. Partnerships should be based on an identification of Africa's own needs. Business competition is good for the continent; indeed, it can reduce costs for African consumers and increase revenues for its governments. And neither is competition a zero-sum game, occurring at the expense of one economy or the other.

African development goals are underpinned by a number of strategic tenets: access to technology and global markets, creation and maintenance of social peace, the establishment of environmental standards, transparent bidding and institutions, promotion of governance and sound economic management, transparency in aid giving, the maximization of revenues for African governments and electorates, and maximizing the effect of local conflict resolution and peacekeeping.

Africa's development path is likely to be differentiated according to the performance, governance, and comparative advantages of its nations. Given China's industrial preeminence, African development is unlikely to come from high-volume manufacturing. Asian countries will probably dominate industries like cheap clothing or footwear for a generation or more, thereby inhibiting most African countries from climbing the traditional first step of the industrialization ladder. A combination of natural resource exploitation, agricultural self-sufficiency and high-value agro-exports, and the expansion of its unique range of service industries, including tourism, would seem to be the most likely and rewarding growth path for many African states. China illustrates not only what is possible by managing an agricultural revolution, but how public and private initiatives can be productively integrated and managed.

This cannot simply be growth at all costs. Environmental factors and questions of social justice and the creation of a peaceful society along with democracy and human rights are all important.

For Africa, the critical issue in its relations with China and the U.S. is the strengthening of governance institutions and the promotion of trade and investment links. External assistance needs to be aligned to clearly defined and articulated African

needs. Africa is much more than a destination for increased aid or a source of energy and natural resources. It is not just a “problem” to be “solved.” It is rather a voice to be heard, and a partner of choice for the long term, beyond access to natural resources.

## **China’s Interest in Africa**

The popular view from Africa, however, is that China’s continental interest is mostly about trade and aid. At the China-Africa summit held in Beijing in November 2006, President Hu offered \$5 billion in loans and credit to Africa along with a doubling of aid. During his February 2007 visit to Africa, Beijing also announced that it would lend African nations \$3 billion in preferential credit over three years and double aid and interest-free loans at the same time. In 2006, trade between China and Africa reached \$55.5 billion, a 40 percent jump over 2005. Direct Chinese investment in Africa is now \$6.6 billion, according to official Chinese sources.

But the figures do not tell the full story. The importance of China to Africa has to be understood in terms of China’s own development path. Its real economic growth, which has averaged a shade under nine percent annually for the past 30 years, has been driven by year-on-year export growth averaging over 17 percent. Export growth in 2006 alone exceeded 30 percent. In 1980, China’s share of world trade was less than one percent; by 2003 it had risen to six percent. This trade largely involves processing and assembly of components that come from elsewhere. China’s shortage of minerals, energy, arable land, and even water is as impressive as its abundance of labour and manufacturing capacity.

This helps to partly explain China’s renewed interest in Africa. Chinese-led demand is driving up the prices and availability of the raw materials it needs. As the growth in the value of its exports inevitably slows as foreign and domestic markets saturate, China will need to continue expanding its economy and cater for its 1.4 billion expectant citizens by adding more Chinese “content” to the same exports. To do that it needs to acquire and secure sources of raw materials.

## **Points of Intersection, A Coincidence of Interests?**

African countries face a conundrum with regard to China’s changing relationship with the continent. African domestic industries, in textiles and other areas, are being swamped by cheaper Chinese products. Such concerns are raised by the investment trends of China (and the U.S.) in Africa, which have tended to be in the oil sector which traditionally has not benefited African citizens for a range of reasons, including the nature of governance in those countries and macro-economic effects including the overvaluation of currencies. Oil booms have generally enriched Africa’s elites, not its people, and have contributed to the plague of corruption in Africa—which is estimated today to cost the continent \$150 billion annually. Like crime, corruption imposes a significant tax on development.

With only half of its energy needs now supplied by domestic sources, China has aggressively pursued oil interests in Africa notably in the Sudan, which comprises one-tenth of all Chinese oil imports. Africa is more important as a share of China’s oil supply than as to the U.S.’s, with Africa today supplying 25 percent of China’s oil and 15 percent of the United States.’

The benefit Africa generates from such investment depends on what Africans do for themselves more than what China and the U.S. can do for Africa. Good governance is a prerequisite for the higher-order investments in Africa that Africans consider essential, such as beneficiation of natural resources. It is of course crucial that Chinese and American economic activities not implicitly undermine good governance. One of the best guarantees that a venture will promote African interests is the length of its engagement: a company that builds factories and mine shafts has a greater stake in stability and responsible government than does the short-term speculator.

In addition, low human capacity, poor infrastructure and Africa’s small market size (about the same size as the U.S. state of Ohio) reduces its attractiveness to foreign investors. But more importantly, such investors follow the lead of their local African counterparts. The fact that Africans themselves are seen as significant divestors in their own countries (around 40 percent of African capital has fled the continent) gives foreign investors scant confidence.

Contrary to the widespread perception that there is a contradiction between China’s activities in Africa and improved standards of African governance and democracy, good governance is actually in China’s long-term interest because it is the best way to ensure that investor interests are safeguarded—a realization that Western countries have long since arrived at in Africa. Similarly, democracies have consistently performed better economically than autocracies (outside of East Asia about 50 percent faster growth between 1960–2003), hence promotion of democracy is also in the investor’s enlightened self-interest. Moreover, support for autocratic governments by external powers is likely to pit them against African citizens who had consistently fought for such rights.

There are other areas where external powers share interests with Africa. Support for African peacemaking efforts goes beyond technical support. It has to be undergirded by political consensus and co-ordination, without which such efforts run the risk

of incoherence and costly failure. The absence of unity of international effort runs the risk of the infection of entire regions—viz. Sudan and Darfur. Africa can ill-afford to be used as a bargaining chip in any political contest.

The trajectory of African democracy suggests that internal developments are no longer a strictly sovereign affair. Africa has today replaced “non-interference” in domestic affairs with the principle of “non-indifference.” All this is in line with the contemporary movement towards human and not simply state-centric security, and with the lesson that civil wars do not fix themselves. Chinese and American support in the United Nations for fully funded African peacekeeping missions would not only be practically expedient but a signal of political partnership, as would their cooperation over painfully intractable issues such as Darfur. Even so, bilateral actions must be viewed as part of overarching multilateral agreements towards the goal of sustainable security and development.

## **A “Win-Win” Strategy?**

Care must thus be taken not to view Africa exclusively through the optic of foreign energy security. Instead, cognisance has to be taken of Africa’s own strategic development and security needs.

Can the interests of China, the U.S. and Africa be reconciled? Potentially, but not automatically. “Yes”—if Africa can strike beneficiation and exploration partnerships, and if China and the U.S. seek to improve governance standards. Even though China and the U.S. are acting in their own self-interest in deepening their ties with Africa in the resources sector, Africa should not be afraid of losing out. Lasting relationships need to be mutually beneficial.

Efforts to establish control of supplies of raw materials will be both a challenge and an opportunity for those African nations intent on adding more value domestically to their commodities through increased local beneficiation.

The impact of China’s increased aid to Africa on the dominant Western aid paradigm in Africa must be viewed in this light. This paradigm today can be explained in terms of the promotion of governance and democracy rather than simply the securing of narrow national interests. Overall, aid has to be offered in a manner that strengthens African institutions, encourages transparency, improves macro-economic policies, develops national and regional infrastructure, assists technical capacity-building, and facilitates the growth of Africa’s productive sector, notably in agriculture and manufacturing. Aid-giving must align with African needs—promoting growth and enhancing continental productive capacity. The facilitation of foreign direct investment flows and assistance in improving credit risk ratings are similarly in the long-term African interest. Ultimately, however, as with East Asia, development will demand investment rather than solely aid-based strategies. Development will depend more on how aid is used by Africans than on how much is given by outsiders. Any worthwhile “development dialogue” with Africa has to encompass the creation of a local enabling environment to compete for investment.

From the above a number of possible trilateral Africa-China-U.S. governance mechanisms emerge. It may be necessary to create a new set of principles on how business should be done with Africa. Such principles could include the importance of giving African people democratic choice, as well as issues of mutual interest around conflict prevention, integration into the world economy, health care, energy, good governance, and capacity building. Africans must write and own these principles if they are to succeed in the twenty-first century.

What the burgeoning Chinese and American interests in Africa show is overwhelmingly positive: It moves the prevailing view of Africa from a mindset where engagement is driven by aid and humanitarian instinct to one of partnership and commercial opportunity. It is motivated not by a spirit of benevolence but one of mutual opportunity. In so doing, it shows Africa has an increasing stake in the global economy.



## Africa-China-U.S. Trilateral Dialogue

*This document was prepared by the African delegation to the third meeting of the Africa-China-U.S. Trilateral Dialogue, Washington, D.C., September 10–11, 2007. The delegation comprised: Dr. William Lyakurwa, Hon. Sydney Mufamadi, Hon. Patrick Mazimhaka, Michael Spicer, Amb. Joe Mollo, Hon. Lopo do Nascimento, and Dr. Greg Mills. Please note that the views expressed remain those of the individuals alone, and should not be taken to reflect any official position.*

The post-colonial period in Africa is over. More and more democratic and peaceful, Africa today battles not against colonialism or neo-colonialism, but against exclusion from the global economy, diseases, and poverty. In contrast to the apocalyptic humanitarianism of most media, Africa is increasingly optimistic about its own future and increasingly serious about business. Fewer and fewer African citizenries are willing to tolerate prolonged deviations from new norms of political freedom and public accountability. More and more African governments understand and embrace their role in reducing the barriers to commerce and investment. They understand that the only sure pathway to prosperity and true political and fiscal independence is a vibrant, tax-paying private sector.

The full benefits of reform have yet to be reaped; in some countries the transition has yet to begin and in many there is still too much belief in bureaucratic and statist modes of governance. But the possibility of a general return to the authoritarian politics and purely statist economics of the first thirty years of independence is increasingly remote.

## Contemporary Global Narratives

The discourse surrounding globalization—defined here as growing international trade in goods and services, the global spread of cultural attributes and influences, and the adoption of government policies that encourage these trends—is often confused, fraught with tensions, and sometimes violent. While both the extreme left and extreme right share the rhetoric of anti-globalization, most economies depend on the global market for trade and growth. In the 1990s few questioned the desirability of growing output and trade growth, breaking down the main ideological divides of the Cold War. However, differential ability to take advantage of these opportunities has *increased* resistance to change.

China is the most notable example of poverty reduction via globalisation, with several hundred million people climbing the ladder from peasantry to global producers as a result of a process of market reforms and trade openness. India, Indonesia, and others are not far behind. By contrast, over this period GDP per capita of the least open countries—many of them in Africa—fell by one per cent a year. The first years of the twenty-first century has seen a reversal of these trends but many countries are still below the population growth rates.

The arguments against globalization generally take the same line: that more international trade, openness, and competition have raised inequality between and within states, harming the poor; and that globalization favours big multinational companies and destroys jobs. Though at first these arguments seem valid, they do not stand up to closer scrutiny. While globalization has destroyed some jobs, it has created many more. While many people have become richer, the poor still have to make do with the same percentage of national income irrespective of whether their economies are open or closed. Globalization has created richer countries, which still, however, have poor people.

Globalization is an inherently political process, and not just an economic one. This is why, for example, the West spends a billion dollars a day protecting inefficient agricultural industries. Perhaps the greatest threat to globalization is from within, from local workers unable to withstand external competitive pressures.

Different regions have varied performance records in coping with and benefiting from globalization. East Asia has been the most successful, through achieving high rates of export-led growth. There is no single formula for success in the case of these economies, but several (Taiwan, Vietnam, and China for example) have followed a sequenced pattern of boosting agricultural production through reforms, followed by an emphasis on light industrial manufacturing and exports. In every case there has been an emphasis on poverty alleviation; raising education standards and appropriate skills levels; encouraging (and, in Singapore's case, legislating) the raising of saving levels; importing and applying technology; and investing in infrastructure, particularly communications.

Governments played a central role in planning, decision-making, and allocating the necessary resources. Trade openness was limited, ensuring that foreign imports would not undercut fledgling domestic industries. Trade by itself was seen as insufficient—the countries in question understood that there was a corresponding need for technology, skills, infrastructure, and knowledge of markets.

All this was underpinned by an emphasis on social and political stability, achieved by increasing employment and reducing poverty—the opposite to what has happened in Africa over the past 50 years of independence. A combination of weak governments, misguided policies, and high levels of instability and corruption have seen a twofold rise in continental poverty in Africa over just the past three decades, and agricultural production is now just one-third of Asia's. Elsewhere, in Latin America, high levels of external borrowing coupled with fiscal weakness have produced both cyclical crises and high levels of disillusionment with the key actors in the global economy, from Washington to the Bretton Woods institutions. Coupled with high degrees of domestic inequality (often along broadly racial or ethnic lines), it is easier to see where the current wave of resistance to globalisation led, in Latin America for example, by Presidents Chavez, Morales, and Correa originates and who their policies appeal to. In both the cases of Latin America and Africa, the recent trend, however, is towards increasing differentiation between states in terms of their reform and performance records.



Success in today's global era will not hinge on exclusively emphasising either market or government. Rather, it will depend on finding a balance between these forces. Markets are no substitute for government, but the limits of liberalization should not obscure the limits of government. The history of government intervention in markets is lamentable, especially in Africa, and fundamentalism in either direction is a recipe for failure. The reason why some countries have benefited more from globalization relates to their possession of systems of effective government, the presence of an educated critical mass of people, and a pool of talented entrepreneurs. In this world, a government succeeds by means of the economic activity that it *facilitates*: ultimately it is not government that sells into, and buys from, global markets directly, but business firms and consumers. A healthy economy requires healthy business firms, large and small, domestic and foreign. But firms need to not only thrive, but thrive in a way that accelerates growth and ever-widening opportunity in African societies.

Therefore politics and policy both continue to matter. Making globalization work for poor countries means picking the best of the international market (technology and skills, for example) and managing the political challenges while avoiding its cultural and environmental fallout. The key challenges are predominantly political: locally, to instil political and economic freedoms around personal choice; globally, to invigorate political regimes to catch up and cope with the economic reality of interdependency.

Policy responses to globalization have to bear in mind local and foreign business requirements. Overall this demands putting competitive policies in place, and acting quickly on them. As Rupert Murdoch has observed, 'The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.'

## Understanding the Development Aid Narrative

There are two competing visions of global development. One holds that poor countries are poor because their people are sick and uneducated. In this vision, the developed world has a moral duty to heal and school poor Africans, Asians, and Latin Americans by spending billions more dollars on aid programs. Only then will it be possible for them to participate in the global economy and "trade their way out of poverty."

Yet aid has costs. It can divert the attention of well-meaning governments from their investment climates. It seeks to ensure African development while it gives some donors an excuse not to make tough domestic concessions on trade. Developing nations might by necessity be more aggressive and effective in trade negotiations if their survival and well-being depended on it. Similarly leaders might not feel the imperative to trade or die—the global and more recently Asian route to development—since they feel their path to survival and development is not trade but aid.

Aid can also create the illusion among donors and recipients that Africa's problems are primarily technical and moral rather than political and managerial. Aid regimes propose complex solutions to complex problems, but big aid pushes à la Gleneagles encourage the notion that silver bullet "all-in" answers to Africa's problems can be engineered. Such an approach does not encourage an iterative, productive development process focused on local learning from experiences, but rather one that is externally directed.

The other development vision is embraced by all successful economies in both the developed and developing worlds. It holds that people in poor countries are sick and uneducated because they are poor. It insists that countries reduce poverty only when they make their countries more attractive and fairer places for everyone to do business.

Proponents of this vision understand the mechanism by which social goods are provided in the real world of politics in bounded nation-states: social investments are made when governments feel public pressure to do so. They are concerned that aid that flows directly to the executive branch of governments can weaken the accountability of governments to their own populations, and make parliaments superfluous, because they do not have the power of the purse.

The welfare vision of development has the Millennium Development Goals around which to organize itself. Yet the proponents of the enterprise-led vision have no corresponding set of internationally recognized goals with which to orient governments and development agencies. It is important that enterprise-led development also occurs in Africa: only when there are sufficiently many business firms that succeed, employ, and prosper—and particularly domestic firms—will countries generate sufficient taxable resources to make their own decisions about social investment, and in so doing adopt a more normal and internally accountable politics.

## Appreciating Africa's Seismic Shift

One signal of Africa's emergence from a post-colonial to a globalization paradigm can be discerned in the increasing presence of Chinese firms on the continent, most visibly in natural resource sectors, but also in construction, retailing, manufacturing, and services. Because the post-colonial period is over, Africa does not tend to interpret China's increased engagement in "imperialist" terms. African leaders do not mind if China pursues its interests in Africa, so long as their countries benefit too.



Yet in many cases, African governments and businesses have not been able to take full advantage of the new opportunities. In spite of rhetoric on “win-win cooperation,” only African states, through tough and principled negotiation, can secure their national interests.

The shift will also require new roles for the United States and Europe in Africa. First, the historical players in Africa have to learn to see Africa as a place of opportunities, not as a problem to be solved. Second, they will have to make the shift from monopoly donors to strategic competitors—with each other, with Chinese and African firms, as well as with new entrants from other parts of the developing world, like Malaysia, India, Russia, and Brazil. But there can be no return to paradigms of past.

Those paradigms include extraction of resources with zero value added in Africa (and collusion in maintenance of unaccountable rentier states), the control of Africa’s policy space through conditionality, and the imposition of forms of aid that retarded democracy, weakened the private sector, and saddled poor governments with unsustainable levels of debt.

Competition does not mean conflict. The area where China and the United States can most fruitfully achieve joint “trilateral” effort with Africa is in entrenching the business principles that will make the continent strong—and which are also in the interest of both these great powers.

## Five Types of Businesses

Like other societies that engage successfully with a globalized world, Africa needs a spectrum of successful businesses. Some important types are:

- The **domestic business**—large or small, sophisticated or informal, agricultural or in the city, this category is essential to a sustainable pro-growth political economy. As a rule, policies that are favorable to non-dominant domestic businesses are good policies for business generally, and for the country (excluding, though, policies that amount to a conspiracy against the domestic consumer). Among the most important policies for domestic businesses are a congenial business climate and secure property rights. Therefore this category should be an important touchstone for overall policy.
- The **foreign business that provides access to markets and technology**—such businesses generally require no more than that required by domestic businesses, and no more should be asked of it than of its domestic counterparts.
- **Natural resource extractors.** An exception occurs in the area of natural resources, where important obligations rest on the state as a proprietor of the country’s natural endowment. These obligations, and indeed the value often embedded in natural resources, tend to create ensuing obligations for these businesses, whether local or foreign. For both the state and the extractor, a balance needs to be struck in favour of the public weal, but that ensures commercial sustainability by giving due reward to effort and risk.
- The **infrastructure provider, whether state-owned or privately funded**—these businesses provide key transport, communications, power, and other infrastructures, i.e., provide facilities that tend to both require long-term financing and have natural monopoly tendencies. Whilst the state is often an owner of such enterprises, its two core roles do not in fact always require ownership: the state has to provide stability and risk-mitigation, or the business will not be funded; the state also often has to provide wise regulation, or such businesses may not serve society best.
- The **provider of finance**—banks and other providers of finance are both a critical funder and a key potential risk in the economy. The state as an owner of financial intermediaries has mostly been disappointing, and political influence over such firms devastating. But the state as a wise regulator is a pre-requisite.

## Business Principles for a Strong Africa

From the above, the interplay between business success and state attitudes is evident. In that interplay rests the seeds of success, but also risks that need to be managed.

Business principles for a strong Africa therefore deal in equal measure with how business should act in Africa (the first two principles), how the international community should support Africa (the next two principles), and, finally, two principles dealing with how African governments should act.

## How Businesses Should Act

The first, and perhaps most obvious, is to raise the levels of transparency and corporate governance in Africa. Serious investors, both African and foreign, will only invest large sums in firms that follow international norms of openness and accountability. African governments need to improve their legal and regulatory environments. And American and Chinese firms (and governments) have a role to play in transferring the fiscal technology that attracts capital. To help fight corruption, China

might consider enacting a law modelled on the U.S. Foreign and Corrupt Practices Act, which allows U.S. courts to try Americans involved in bribery and corruption abroad. In the case of government-to-government deals, the terms and conditions should be transparent so as to minimise opportunities for corruption, patronage, and rent-seeking.

Second, Africa, for its part, should develop and transparently apply continent-wide principles of corporate good behaviour. Such a Tswalu Code of Social Responsibility should involve support for employees and the communities in which business operates and their application by those with whom business is conducted in terms of five key areas:

- Universal human rights, including equal opportunity regardless of race, gender, creed, age, or origin, and voluntary freedom of association.
- Provision of a safe and healthy workplace, including the promotion of sustainable development and the environment.
- The facilitation of skills and capability, and the promotion of sufficient compensation to at least meet basic living requirements.
- Respect for intellectual and property rights.
- Ensuring that corruption is eradicated.

Such frameworks should be as enabling and unbureaucratic as possible. Making doing business in Africa too costly and complex with European social democracy standards will simply stifle investment. Similarly, discretion is advised when dealing with NGOs focused on extracting rents through complex governance monitoring mechanisms.

### **How the International Community Should Act**

Third, the purpose of aid should be reconceptualized. Development-aid process must focus more on economic and financial fundamentals than on posturing and empty promises of more aid. Rather than *instrumentalizing* global poverty as a backdrop from which to proclaim their compassion and moral seriousness, the international community should instead offer poor countries a partnership focused on the same economic insights that make them prosperous and free. Development is not about the relationship among donors, NGOs, and recipient governments. It is fundamentally about the relationship between poor governments, their citizens, and their own private sector. Instead of being primarily a source of funding for important health and welfare projects, both Chinese and American aid money should be strategically targeted at projects that will stimulate growth by reducing the costs of doing business. In many countries, this will mean infrastructure investments in electricity, broadband internet, roads, and ports. It may also mean funding for legal and administrative reform, or the hiring of foreign commercial judges.

Fourth, related to the point above, establishing a set of “MDGs for competitiveness” would incorporate measures of economic freedom and administrative efficiency, and also attempt to quantify how much their absence cost businesses. It would also add a number of other indicators that entrepreneurs find are the other main obstacles to running a business: the costs of capital, electricity, transportation, telecommunications, tax, labor, and corruption. A focus on these measurable fundamentals would re-prioritize how aid money is spent. To reduce the cost of capital, policy attention should be paid to reducing risks to local commercial banks so that they can lend the money they already have. To reduce the cost of transportation, the focus should be on trade facilitation and infrastructure. Reducing the costs of energy requires creative public-private infrastructure partnerships. Each poor country has its own distinct cost structure, a unique mix of reasons why it is overly expensive or risky to do business there—both for domestic and foreign entrepreneurs.

### **How African Governments Should Act**

Fifth, just as China did in the 1970s and 1980s when it negotiated access to China with foreign companies, African governments should—*without overplaying their hand*—make technology transfer and value addition a condition in contract and concession negotiations with foreign firms.

Sixth, and finally, there are things that African nations can do themselves to become more competitive and to develop faster. As long as countries succeed by making and selling things, government can lower the cost of doing business through policy. They can ensure transparency and the rule of law, improving regulatory oversight. They can put policies in place that attract skills, the most valuable and scarce resource of all. Capital is not the key problem; competitiveness is. Since successful countries are not good at everything, there is an imperative to prioritise, where governments have a key role. And success presumes government capacity, efficiency, and insight in key areas just as it presumes the absence (or removal) of onerous and inefficient bureaucracy, cumbersome and costly overregulation, and too-high barriers to trade and investment. As highlighted above, this should not be politically polarised as having to make a choice between market and government fundamentalism. Instead there is a critical need for both attributes in due measure.



## Priorities for Possible China-U.S. Cooperation in Agriculture



## Africa-China-U.S. Trilateral Dialogue

**Washington, D.C.**  
September 10–11, 2007

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## Introduction

This paper assembles some themes and puts forward some ideas related to agricultural development in Africa that could be jointly discussed by participants at the above-mentioned meeting. The topics proposed below are assumed to reflect, to a certain extent, the priorities for African agricultural development. Where needed, topics are presented with a brief background description of the issue.

## Priorities for African Agricultural Development

The major priorities for African agricultural development are outlined in the New Partnership for Africa's Development (NEPAD) Comprehensive Africa Agriculture Development Programme (CAADP), which was prepared by FAO in cooperation with the NEPAD Steering Committee and adopted by African Heads of State and Government at a summit held in Maputo in July 2003 as a framework for the restoration of agricultural growth, food security, and rural development in the continent. The Program outlines four specific thrusts, as follows:

- (i) Extending the area under sustainable land management and reliable water control systems aiming at expanding irrigated agriculture, reducing the over-dependence on unreliable rainfall, and improving soil fertility given;
- (ii) Improving rural infrastructure and trade-related capacities for market access by improving roads, storage, markets, packaging and handling systems, and input supply networks to raise the competitiveness of local production vis-a-vis imports and in export markets;
- (iii) Increasing food supply and reducing hunger through increasing access by farmers to improved and affordable technology, expanding employment opportunities, and contributing to a growth in exports. The pillar is also concerned with investments to respond to the growing frequency and severity of disasters and emergencies; and
- (iv) Agricultural research, technology dissemination, and adoption to achieve accelerated gains in productivity.

In adopting CAADP, African heads of state have also pledged to accelerate its implementation at national, regional, and continental levels, and to this end they committed to allocating at least 10 percent of national budgetary resources for CAADP implementation within five years. The summit also invited FAO to cooperate with the NEPAD Secretariat in the preparation of national CAADP related projects for the purpose of securing funding. In September 2003, the CAADP Implementation Committee recommended formulating National Medium-Term Investments Programmes (NMTIPs) and Bankable Investment Project Profiles (BIPPs) as vehicles for CAADP implementation.

## Antecedents

From 3 to 5 November 2006, the Beijing Summit and the Third Ministerial Conference of the Forum on China-Africa Cooperation were held in Beijing. Heads of state and government, ministers for foreign affairs and ministers in charge of economic cooperation from China, and 48 African countries attended the Summit and Ministerial Conference respectively. To build on the success of the summit and conference, chart the course for China-Africa cooperation in all areas in the next three years, and promote friendship, peace, cooperation, and development, an action plan was formulated and adopted on this occasion.

As regards agriculture, the action plan stressed the importance of agriculture in their respective economies and the enhanced agricultural cooperation will play a positive role in eliminating poverty, promoting development, and ensuring food security. The action plan resolved to intensify exchanges and cooperation in farming, animal husbandry, irrigation, fishery, agricultural machinery, processing of agricultural produce, sanitary and phytosanitary measures, food safety and epidemic control, and actively explore new forms and ways of agricultural cooperation. The Chinese side decided to:

- send 100 senior experts on agricultural technologies to Africa and set up in Africa ten demonstration centres of agricultural technology with special features;
- encourage and support Chinese enterprises to expand their investment in agriculture in Africa and become more involved in agricultural infrastructure development, production of agricultural machinery, and processing of agricultural produce in Africa;
- step up cooperation with Africa to extend applicable technologies and human resources training in agriculture; and
- strengthen cooperation with African countries within the framework of the Special Programme for Food Security (SPFS) of the Food and Agriculture Organization of the United Nations.

## Priority Programs for Possible Cooperation

### Comprehensive Africa Agriculture Development Programme (CAADP)

Based on the agreement reached at the Maputo Summit, FAO assisted 51 African countries, at their request, in formulating their NMTIPs and BIPPs. The exercise resulted in the formulation of close to 200 BIPPs, with a total investment portfolio of U.S.\$10.7 billion covering the four CAADP pillars and the livestock, fisheries, and forestry subsectors. However, although most countries have mainstreamed the NMTIPs and BIPPs in their national development frameworks, progress in their financing has been slow due partly to slow progress in meeting the 10 percent commitment made by African countries and partly to lack of adequate external support to CAADP. In this regard, African heads of state and government resolved to accelerate the implementation of CAADP at national level "... by adopting the National Medium-Term Investment Programmes (NMTIPs) and Bankable Investment Project Profiles (BIPPs) and include them in their National Medium-Term Expenditure Frameworks to ensure funding from domestic budgets, savings resulting from debt relief, and, where appropriate, resources mobilized from bilateral and multilateral donors."

A CD-ROM containing all relevant information on the CAADP, NMTIPs, and BIPPs has been compiled by FAO and is available.

As an outcome of the self-defined interests in agricultural development under the auspices of NEPAD, the BIPPs provide indications of opportunities for investment in key priority areas as formulated by national governments and merit support.

### National Programmes for Food Security (NPFS)

National and Regional Programmes for Food Security provide vehicles for addressing agricultural and rural development priorities in African countries and subregions within the framework of the CAADP. There are currently ten such programs with at least some NPFS components already operational, with each one specific to the country concerned. The key challenge in the existing programs is the scaling-up of successful elements and components at national level, which requires higher levels of external human and financial inputs. Existing national programs, which in general follow four models, are:

- SPFS approach up-scaled to national level: Nigeria
- Comprehensive national programs: Chad, Kenya, Mali
- Stand-alone components within a cross-sectoral framework: Madagascar, Malawi
- SPFS approach integrated into national agricultural, rural development, or food security program: Algeria, Sierra Leone, South Africa, Tanzania

### Other African countries where NPFS are at an earlier stage of development include:

- NPFS formulated and under review: Cameroon, Cape Verde, the Congo (Republic), Ghana, Guinea-Bissau, Lesotho, Namibia, Senegal, the Sudan, Swaziland
- NPFS under formulation: Angola, Benin, Botswana, Burkina Faso, Djibouti, Guinea, Liberia, Mozambique, the Niger, Togo, Zambia

Tables in Annex 1 show budgets, components, and programmed allocations, by component, for the eight NPFS that are operational in Africa.

## Rural Infrastructure and Water-management Facilities

Small-scale water control and small- to medium-sized irrigation schemes, rural roads, storage facilities, and fishing ports rank high on the list of priorities for African agricultural development. Investment in such infrastructure is essential to improve farmers' productivity and competitiveness and increase producers' access to input and output markets, to stimulate the rural non-farm economy, to build the economic base of rural towns, to increase consumer demand in rural areas, and to facilitate the integration of rural areas into national and international economies. Low levels of infrastructure represent another dimension of poverty traps as they result in underdeveloped markets, high transaction costs, and coordination failures. The benefits of exchanges cannot be realized and the economy remains trapped in a largely subsistence-oriented structure. Without basic infrastructure, returns to investment may be too low to attract investors.

Complementary investments in irrigation and infrastructure are critical in order to maximize the return on agricultural investment. Failure to create value chains that integrate production with markets puts investments in individual elements of the chain at risk. Value chain integration over space and time requires good infrastructure, effective market institutions, and functioning linkages between the actors in the supply chain. Where spatial market integration is poor, favourable growing

conditions created through irrigation, improved production practices, and/or adoption of modern technologies that result in increasing marketable surpluses may result in dramatic drops in local prices. Large and abrupt temporal price changes are common in a situation with poor infrastructure and/or poor market linkages that prevent or hinder integration with markets beyond the immediate vicinity in which production occurs.

Improved infrastructure services contribute to international competitiveness through at least three channels: (1) increasing productivity; (2) improving competitiveness; and (3) attracting foreign direct investment.

## Fisheries

Two themes could be considered:

- **Aquaculture** is one of the fastest growing food production sectors in the world. Whereas fish is a major source of animal protein for African people, particularly freshwater fish, Africa is the only region of the world where the present level of per capita fish consumption has declined over the past decade. This falling off of supply has noticeable negative nutritional and financial effects. Given the imperative to improve food security and economic growth in the Africa region, and the widely recognized untapped potential for aquaculture, the FAO Committee on Fisheries (Sub-Committee on Aquaculture) recommended that high priority should be given to aquaculture in Africa. Furthermore, a program should be established to provide special assistance to African countries to access financial services and markets—to boost investment in aquaculture as well as exchange knowledge. This recommendation follows closely the priorities set by the NEPAD Action Plan for the Development of African Fisheries and Aquaculture (2005), which include, among others, developing sector-wide strategies at national level for expansion and intensification of aquaculture, supporting priority aquaculture zones, encouraging private sector investment across the sector, and harnessing the opportunities for small and medium enterprise development provided by expanding domestic markets for fish, including growing urban demand. China, the leader in aquaculture, accounts for over 67 percent of the current global production. Knowledge, expertise, experience, and resources are all available in China for successful cooperation to improve/build national capacities in aquaculture development in Africa. Well-established training centers, such as the Freshwater Fisheries Research Centre in Wuxi, are capable of providing tailor-made specialized training for African needs. This could be implemented through a program aimed at building and improving required regional/national capacity for aquaculture development and management in Africa.
- **Fish safety, value addition and trade promotion.** Fish and fishery products contribute significantly to the economies of developing countries as a major source of hard currency earnings and employment opportunities. While for the Africa region the overall national economic returns from fishery resources are significantly less than they could be, the potentials for the region to reap more benefits is unanimously acknowledged. This can only be achieved if issues of great importance to the region, i.e., safety and quality of fish products, development of value-added products, utilization of low-value, underutilized fish, and sustainable trade are effectively addressed. As a world top fish supplier, with wide experience in fish utilization and a comparative advantage of having the majority of its production from small-scale fisheries, China could help African countries consolidate their market shares in a manner compatible with national food security objectives and to ensure that fish trade is adequately addressed in international regulatory frameworks. Of particular interest is China's recent experience as a major center where processing is outsourced from different parts of the world. Assistance could target capacity building at both the government and the private sector levels, especially the small-scale operators, training in the assessment and management of fish safety and quality, technical assistance to develop infrastructure for networks, and harmonized programs for new products development, improved access to fish marketing, and trade information, and capacity to identify and effectively pursue trade opportunities.

## Livestock

Three themes could be proposed:

- **Animal Genetic Resources for Africa.** The finalization of the State of the World's Animal Genetic Resources for Food and Agriculture and the upcoming International Technical Conference on Animal Genetic Resources for Food and Agriculture, to be held in September 2007 in Interlaken, Switzerland, is an important event for intergovernmental policymaking in the area of animal genetic resources. The Interlaken Conference calls for collaboration at national, regional, and international levels and will endorse the Global Plan of Action for Animal Genetic Resources. Substantial and coordinated external support to assist African countries to implement their respective national programs to develop their animal genetic resources is required.
- **Avian Influenza.** Since the outbreak of Highly Pathogenic Avian Influenza (HPAI) H5N1 in late 2003 in Southeast Asia, the disease has spread to other countries in Asia, Africa, Europe, Caucasus, Middle East, Latin America, and the Caribbean. Currently, the "hotspots" in Africa are West Africa and Egypt, but the risk of the disease spreading further within these countries and throughout the continent is ever-present with potentially devastating consequences. The situation in Africa is exacerbated



by poor communication and regulatory institutions; veterinary and diagnostic services are also weak. The FAO Global Strategy for Prevention and Control of Highly Pathogenic Avian Influenza facilitates capacity-building, information-sharing and networking, and will need further coordinated donor support to meet the avian influenza challenges facing Africa.

- **Livestock Component of CAADP.** The preparation of the CAADP (see also above) Livestock Component was unanimously supported by all African states to give greater coherence to revamping and up-scaling the livestock sector and its contribution to poverty reduction in Africa. Preliminary contracts with FAO, the World Bank and others, within the framework of the ALive Platform, have assisted in developing a detailed work plan for the next 18-24 months. To implement the work plan, however, human, material, and financial resources, in addition to those currently available, will be required. Additional international support is needed.

## Forestry

The application of more sustainable practices in forest management plays an important role in the protection of environment, long-term use of natural resources, soil protection, and climate change. Apart from forest legislation, forest law enforcement (or compliance) and governance is a key area in this regard to avoid loss of biodiversity and habitats, political instability, increased income disparities and market distortions. Support in this field under technical assistance and project arrangements could be aimed at:

- (i) making forest laws and policies rational, equitable, transparent, and streamlined;
- (ii) improving forest monitoring and information gathering;
- (iii) strengthening national institutional capacities to enforce laws; and
- (iv) formulating policies in the forest and other sectors that take into account the economic and social dynamics that underlie illegal logging.

Re-forestation and other efforts to protect and restore fragile dry ecosystems in China have been remarkable in recent years. Africa could thus benefit from China's experience in this regard.

## Environmental Issues

Many African countries are already hard hit by desertification. Recent studies conclude that Africa may be strongly affected by the impact of climate change due to significantly increased temperature and water constraints (Inter-Governmental Panel on Climate Change [IPCC], 2007). The IPCC projected that yields in some countries could be reduced as much as 50 percent by 2020, with smallholder farmers being the most affected. Two priority areas appear for immediate consideration. ***The first one deals with the management of water resources.*** The proportion of people and countries that will be affected by water scarcity due to unreliable rainfall and drying up of springs and rivers is expected to rise significantly. The trilateral forum could, therefore, take up the issue by looking at country-specific projects to enhance smallholder management of water resources, as well as assisting and facilitating cooperation in the use of transboundary water resources in agriculture and energy generation that will not be harmful to the environment.

***The second area deals with the management of dryland ecosystems*** (desertification). African ecosystems, notably the fragile ones, will undergo noticeable changes due to climate change. Climate change and variability is expected to expand the arid and semi-arid areas in Africa further marginalizing potential cultivable land and rangelands. In this respect, the experience in the sustainable use and management of dryland area and dryland agriculture would be very useful. Both areas could well be supported under technical assistance and project arrangements.

## Agribusiness

There is common agreement that a major focus is needed from simply increasing production and productivity for the export of raw commodities towards local value-addition and processing of agricultural products. This is essential to boost economic growth and create employment. The development of agro-industries and agribusiness could be achieved at two levels:

- promotion of locally owned and managed agribusinesses (usually in the SME sector); and
- establishment of large-scale, foreign-owned enterprises through foreign direct investment (FDI)

Agribusiness has the potential to contribute to employment creation and poverty reduction, and could make Africa a more favourable place for foreign investment. However, capacity building and investment are needed to ensure that African farmers can meet the standards required by agro-industry and for local entrepreneurs to establish new small and medium enterprises.

## Annex 1: Indicative Investment Requirements for National Programmes for Food Security in Low-Income Food-Deficit Countries in Africa

**Table 1:** Budgets, Beneficiary Numbers, and Funding Commitments for Operational NPFS in Low-Income Food Deficit Countries, May 2007

Country	Planned Duration <i>In Years</i>	Approved Budget <i>U.S.\$ Millions</i>	Beneficiaries <i>Millions</i>	Funding Committed <i>U.S.\$ Millions</i>
Chad	2006–2010	206	1.5	Chad, EU, France (106)
Kenya	2004–2013	70	6.0	Kenya (10)
Madagascar	2006–2009	250	N/A	EU, FAO, Monaco, WB, (20)
Malawi	2005–2009	60	1.1	AfDB, Belgium, FAO, Italy, Norway, WB (77)
Mali	2006–2010	228	1.8	Mali (9.8)
Nigeria	2001–2012	469	6.0	AFD, BADEA, IFAD, IsDB, Nigeria (469)
Sierra Leone	2002–2012	32		FAO, Germany, Italy, Sierra Leone, UNDP (4)
Tanzania, U.R. (Mainland)	2006–2010	600		AfDB, World Bank, ASDP Basket Fund, the United Republic of Tanzania (263)

**Table 2:** Component Coverage for Operational NPFS in Low-Income Food-Deficit Countries in Africa, May 2007

Country	Availability Aspects	Access Aspects
Chad	<p>Components of Chad's comprehensive NPFS include:</p> <ul style="list-style-type: none"> <li>• Management of soil and water resources</li> <li>• Intensification of crop production</li> <li>• Diversification of farming systems</li> <li>• Complementary measures (rural credit, input marketing, research and extension, farmer field schools)</li> </ul>	<ul style="list-style-type: none"> <li>• Food processing</li> <li>• Health and nutrition</li> <li>• Emergency response (early warning, food aid)</li> </ul>
Kenya	<ul style="list-style-type: none"> <li>• Components of the Strategic Agricultural Revitalization Programme aim to eradicate poverty and hunger for six million rural people by 2010 (U.S.\$60 million)</li> </ul>	<ul style="list-style-type: none"> <li>• Small grant facility of U.S.\$1 million per year for community action plans promotes household food security (U.S.\$10 million)</li> </ul>
Madagascar	<p>A strategic framework for food security has been formulated, encompassing, inter alia, the following components</p> <ul style="list-style-type: none"> <li>• Establishment of agriculture service centres</li> <li>• Water catchment and irrigation component (World Bank)</li> </ul> <p>Funding for the entire agriculture sector component through a sectorwide approach is being considered</p>	<ul style="list-style-type: none"> <li>• Household food security component (EU)</li> </ul>

**Table 2:** (continued)

Country	Availability Aspects	Access Aspects
Malawi	<p>The NPFS in Malawi was initially conceived as a comprehensive ten-year program. During the course of formulation and consultation with prospective funding donors, however, it became apparent that it would be preferable to formulate a detailed action plan and budget for each program component individually, within a comprehensive cross-sectoral framework. Components funded to date include:</p>	<ul style="list-style-type: none"> <li>• Malawi’s starter pack program—Promoting Green Revolution in Malawi (U.S.\$10 million, Ireland, Sweden and the United Kingdom)</li> <li>• Enhancing Food Security and Developing Sustainable Livelihoods (U.S.\$ million, Norway)</li> </ul>
Mali	<p>Components of Mali’s comprehensive NPFS include:</p> <p>Mali’s ten-year program, valued at around U.S.\$200 million for the first five years, targets over 1.5 million persons and includes components covering the following sectors:</p> <ul style="list-style-type: none"> <li>• Management of soil and water resources</li> <li>• Intensification of crop production</li> <li>• Diversification of farming systems</li> <li>• Complementary measures (rural credit, input marketing, research and extension, farmers’ field schools)</li> </ul>	<ul style="list-style-type: none"> <li>• Food processing and marketing</li> <li>• Health and nutrition</li> <li>• Emergency response (early warning, food aid)</li> </ul>
Nigeria	<p>Nigeria’s NPFS upscales successful approaches piloted by the SPFS and introduces an outreach component.</p>	
	<ul style="list-style-type: none"> <li>• A choice of technology packages adapted to their respective agro-ecological zones are put on offer at each project site</li> <li>• Assistance is provided for the introduction of the selected package at each site</li> </ul>	<ul style="list-style-type: none"> <li>• Development of small-scale enterprises that can be taken up by the landless poor</li> </ul>
Sierra Leone	<p>The NPFS in Sierra Leone comprises a Community-based Extension and Capacity-building Programme (CECP) that is being implemented to improve rural food security and livelihoods within the framework of the National Recovery Strategy (NRS). The program includes, inter alia, Farmer Field Schools, community programs, and school garden activities.</p>	
Tanzania, the U.R. (Mainland)	<ul style="list-style-type: none"> <li>• The Agriculture Sector Development Programme (ASDP) is a multidonor, production-led activity that will support district capacity building, infrastructure including roads and irrigation, extension services and other aspects of sector development (U.S.\$600, indicative).</li> </ul>	<ul style="list-style-type: none"> <li>• Within the ASDP, the Department of Food Security will work with district governments to prepare District Development Plans that include specific food security-related actions and ensure that the most vulnerable individuals and groups will be able to participate in the ASDP. Each plan is developed locally, following a decentralized, community-based approach. District plans typically include formation of independent Participatory Farmer Groups, community-based education through Farmer Field Schools, and building of local capacity to manage improvements in rural infrastructure and capitalize on local investments in small-scale irrigation, marketing infrastructure, and micro-enterprise development (cost not yet specified).</li> </ul>

**Table 3: Programmed Budget Allocations for Operational National Programmes for Food Security in Low-income Food-Deficit Countries in Africa, by Object of Expenditure, May 2007**

Country	Water Control (Cost U.S. \$ Millions)	Crop Intensi- fication (Cost U.S. \$ Millions)	Livestock (Cost U.S. \$ Millions)	Fisheries and Aqua- culture (Cost U.S. \$ Millions)	Rural Infra- structure (Cost U.S. \$ Millions)	Capacity Building (Cost U.S. \$ Millions)	Rural Finance (Cost U.S. \$ Millions)	Other (Cost U.S. \$ Millions)	Total (Cost U.S. \$ Millions)
Chad	53	21	26.5	21.5	10.5	8	9	56.5	<b>206</b>
Kenya	—	—	—	—	—	10	—	60	<b>70</b>
Madagascar	—	N/A	—	—	—	N/A	—	N/A	<b>250</b>
Malawi	4	4	4	4	4	4	N/A	36	<b>60</b>
Mali	65	12.5	18	13	31	9	8.5	71	<b>228</b>
Nigeria	62	5.8	11	11.6	64.6	62	2.6	249.4	<b>469</b>
Sierra Leone	—	6.0	—	—	—	18.8	—	7.2	<b>32</b>
Tanzania, U.R. (Mainland)	473.4	25.2	24	32.4	45	—	—	—	<b>600</b>



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