

## INSIGHT

## In aid of trade

**Paul Letters** says China's economics-first assistance for Africa, while driven by self-interest, can meet the continent's long-term development needs. It's an approach increasingly favoured by the West, too

China's foreign aid strategy in Africa stands accused of favouring resource-laden nations, downplaying issues of "good governance" and prioritising infrastructure over other development needs: China's onto something – and the West knows it.

Following the record rise in food prices this year, condemning millions more into extreme poverty and hunger, the last month has seen the G20's inaugural meeting of agriculture ministers focus on food security, the release of the UN's Millennium Development Goals report and now, in Geneva, the WTO's review of its Aid for Trade initiative: it's the season for poverty postulation.

In June, US Secretary of State Hillary Rodham Clinton warned Africa that China may have its own agenda. "China's foreign assistance and investment practices in Africa have not always been consistent with generally accepted international norms of transparency and good governance," she said.

The West has spent around US\$400 billion in aid to Africa over the last half century, and for the most part "transparency" and "good governance" were not serious considerations. Since the end of the cold war, the West felt less of a need to buy friends in Africa, so aid flows ebbed. African heads have increasingly been turned eastwards.

China arrived in Africa in the 2000s, viewing the continent more in terms of business than aid. Unburdened by Washington Consensus preconditions of structural adjustment and inconsistent definitions of good governance, Africa was presented with aid made easy.

Decades of Western cash flows, regularly directed to corruption-rife national governments, is now being supplanted by aid with Chinese characteristics: without political preconditions, China is building roads in Ethiopia, pipelines through Sudan and railways across Tanzania. China's also snapping up the lion's share of oil from countries historically shunned by the West such as Angola and Sudan.

While minerals such as cobalt and copper are big attractions for Chinese industry, China's burgeoning middle class is enjoying a broadening array of produce, including South African wines and Ugandan coffee. China gains an injection of fuel and caffeine, Africa gains the infrastructure needed to facilitate trade.

From US\$10 billion in 2000, bilateral China-Africa trade nudged US\$115 billion for 2010, with trade agreements signed with 45 African countries. Since 2006, China's "going global" policies added a new dimension, and invited criticisms of economic imperialism: from Nigeria to Ethiopia, Egypt to Zambia, China is peppering Africa with trade and economic co-operation zones – potential springboards for export-oriented growth, if developed appropriately with their hosts.



China is focused on long-term economic development, from which both donor and host should benefit: communist China showing the West how to do aid, capitalist-style.

Western donors have so far focused on the short term and often prescribe conditions that aid the donor. For instance, US food aid regulations require 75 per cent of provisions to be purchased and shipped from the US.

But the West too is now beginning to think longer-term. All sides – including the erstwhile forgotten voices of Africans themselves – now agree upon the importance of providing the infrastructure to connect smallholder farmers to regional and international markets. With multilateral organisations including the World Bank on board, we are seeing a convergence of common development policies centred upon agricultural-led growth and aiding trade.

Indeed, the genesis of the Aid for Trade initiative can be traced to a 2005 ministerial conference of the WTO, held where China con-

verges with the West: Hong Kong. As UN Secretary General Ban Ki-moon later affirmed, Aid for Trade commits donors "to finance export-oriented infrastructure (for example, roads, ports and power)" in the least-developed countries.

Of course, more is required. For example, to complement Aid for Trade, developed countries should honour their 2005 pledge to eliminate export subsidies on agriculture. Other issues, including aggressive speculation on agricultural commodities and the new scam-



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ble for African land – particularly to grow crops for biofuels – must be curtailed.

While China demands a torrent of natural resources, China also craves peace and political stability in Africa. To that end, China increasingly finds itself tacitly sharing Western democratic concerns regarding good governance.

Rather than holding opposing views, China and the West share much common ground. China's emphasis on trade as central to economic development dovetails with the Obama administration's flagship Feed the Future global programme. However, while the Chinese are getting on with the job, political, financial and technical support for Western-led initiatives has been sluggish, as the Millennium Development Goals report suggests. Developed countries must act assertively, directly funding capacity-building projects rather than governments – Chinese-style.

Paul Letters is a writer and commentator

## Sidelined HK

**Greg Torode** examines why Asia's 'world city' has become a virtual irrelevance among diplomatic circles in Asia-Pacific



The Association of Southeast Asian Nations, which meets this week in Bali, has become a broad church. Its East Asia Summit ties in China, the US, Japan, Russia, South Korea and Australia. Its annual regional forum on security, while still toothless, covers 27 nations and blocs, from the region's superpowers to East Timor.

And aside from the sexier topics, such as the South China Sea, officials from the 10 Asean nations meet ever more frequently to discuss the links that make the region a much smaller place – immigration reform and tourism co-operation, transport links and, of course, trade.

Yet one place that barely surfaces in discussions, if at all, is Hong Kong. "Do we think about Hong Kong? No," one veteran Asean envoy said recently. "Should we? Almost certainly ... but somehow it just falls between the cracks."

Those cracks were all too clearly highlighted last year when Chief Executive Donald Tsang Yam-kuen failed to reach Philippine President Benigno Aquino during the fatal hostage crisis in Manila. An extreme example, perhaps, but one that signals a wider problem. Hong Kong's "Asia's world city" claim remains at best a work in progress when one considers its role within an integrating East Asia.

The Basic Law gives Beijing clear responsibilities for defence and foreign affairs – hence its formal involvement with the Asean grouping. Yet the mini-constitution still provides for Hong Kong to manage its own external relations, allowing flexibility to engage on issues such as economic links, security and tourism.

An avowed free trader, Hong Kong has, for example, long punched above its weight in the World Trade Organisation under its own banner. It is also a member of the annual Asia-Pacific Economic Co-operation forum, a body that is gradually being eclipsed by the increasing international stature of Asean and its broader East Asian role.

If there is room for Hong Kong to take a greater liaison-type role with an integrating Southeast Asia, two hurdles need to be overcome.

Regional envoys posted in Hong Kong note a marked reluctance among Hong Kong officials to penetrate the extent of their external relations brief. At the same time, some nations are wary of perceptions of courting Hong Kong too actively in case it rattles Beijing.

The issues at stake are not simply ones of style, but of substance. Singapore, a founding Asean member, has actively sought to benefit from the hard-won openness within Asean. It increasingly attracts Southeast Asia's brightest students and some of its richest private banking clients – both arguably at the expense of Hong Kong.

Naturally, Hong Kong is still a player, respected for its freedoms – something acknowledged by leaders such as Anwar Ibrahim and Thaksin Shinawatra – in recent years. Its companies, meanwhile, remain prominent, from hotels and property groups to shipping and commodities. Asean as a whole is Hong Kong's third largest trading partner behind the mainland and the European Union.

Yet, this week, as the grouping meets, Hong Kong will again be conspicuous by its absence.

Greg Torode is the Post's chief Asia correspondent

## Turn Spratlys from powder keg into Pax Asia-Pacifica

**Fidel Ramos** says the South China Sea must be demilitarised to avoid conflict

One of the main sources of tension in Asia today is the Spratly Islands in the South China Sea, where the Philippines, Vietnam, China and others have conflicting claims.

In Chinese media reports, the heightened "unfriendliness" in the region has allegedly arisen from "bad rumours and speculation" on the part of Filipino commentators. But the reality is starker: intrusions by Chinese aircraft into Filipino airspace in May; Chinese patrol boats cruising in March in the Recto (Reed) Bank, west of the Filipino island of Palawan; and, most serious of all, a Chinese missile frigate firing at Filipino fishing boats in February near Palawan's Quirino atoll.

Armed conflict, of course, will be in no one's interest. But the risk posed by these disputes is growing, because China's relations with both the Philippines and Vietnam are at their lowest point in decades.

Last June, I gave the keynote speech at the celebrations marking the 36th anniversary of the establishment of Sino-Philippine diplomatic relations in the presence of 5,000 of my countrymen and a smattering of Chinese officials. Yet on that same day, the headlines in Chinese papers were blasting the Philippines for its historic claim to ownership of the Spratly Islands.

Of course, the governments of both countries recognise the need to maintain the stability and co-operation that have made East Asia the world's fastest growing region. The same is true of Vietnam's government and that of the United States. But there is no

institutionalised means to discuss and resolve the dispute.

Now is the time for China, the Philippines, Vietnam, other claimants and the US to take action to begin to lower these tensions. What is needed, above all, is a covenant among the leaders of Asia-Pacific that will make peaceful dispute resolution binding on all stakeholders, big or small. Only such a pledge can provide the certainty investors will need if the Spratly resources are to be developed.

Certainly, China's leaders talk as if this is their goal. In April, at this year's Boao Forum in Hainan (海南), President Hu Jintao (胡锦涛) asserted: "Peace and development remain the overriding themes of the times ... China will always be a good neighbour, good friend and good partner of other Asian countries."

It is past time to make those sentiments a reality. Asia's governments must also begin to adhere to a far more expansive idea of open regionalism, which means that countries like India should have a voice in Asia-Pacific affairs, and they must respect the Asian interests of countries beyond the region. The US, for example, should be made welcome to participate – or continue to participate – in peacekeeping and security co-operation.

But how is Asia to reach consensus on this point? Ever since 1994, I have proposed to leaders of the Association of Southeast Asian Nations that the Spratlys be demilitarised as a first step towards building trust. The UN Convention on the Law of the Sea and associated international commitments must

become the basis for productive dialogue leading to binding covenants. Joint exploration and development of the resources in the archipelago could then begin.

More broadly, the urgent task for Asian statesmen over the next five to 10 years will be to replace the region's Pax Americana that has guaranteed regional stability for decades with a more comprehensive Pax Asia-Pacifica that is built on inclusiveness and burden-sharing. But such an Asia-Pacific peace will be durable only if it is based on a balance of mutual benefits rather than on the balance of power.

Clearly, this concept implies burden-sharing by all Asia-Pacific countries to ensure the region's harmony and security. Pax Asia-Pacifica's institutions will need to be built, as Europe's peace was built after the second world war, on strong, co-operative undertakings among the most powerful countries and regional blocs – the US, China, Japan, India, South Korea, Russia, and the 10 member states of Asean.

The region's economic growth and progress require that we Asians contain our rivalries and avoid the arms races that, unfortunately, now seem to be under way.

Fidel V. Ramos is a former president of the Philippines. Copyright: Project Syndicate

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## Working out new steps in dance with Russia

**Matthew Hulbert and Christian Brutsch** argue the case for a Beijing-Brussels energy pact

China's upstream energy forays have become the stuff of folklore – carving out tracts of Central Asia, Africa and the Gulf in the desperate quest for hydrocarbon resources. Of course, Beijing's activities have been far more sophisticated than that, drawing on security and diversity of supply, and reducing price risk exposure. Gaps remain, but China is on the right track to leverage its position as the epicentre of demand growth. Or so we thought.

The Arab spring presented Beijing a problem that goes beyond street protests, all the way to Brussels. The Libyan impasse has been a harsh reminder that the US is tired of safeguarding Europe's energy interests, and the prospect of abundant supplies on Washington's doorstep – Canadian tar sands, Latin American pre-salt and the outer continental shelf – suggest the furthest Washington will go in future is directly over the pond to West Africa.

The downside of the end of US "geopolitical dredging" is that Europe's hard-power projections are too soft for upstream players to rely on.

In Central Asia and the Gulf, where commercial agreements have always come with solid security guarantees, this matters. Unless it bulks up, Brussels will have to defer to Russia, which points to the nub of China's dilemma: on sheer volume alone, Beijing will have to source ever larger amounts of Russian energy as its core Eurasian supply.

Unless it can stop Europe going

cap in hand to Moscow at the other end of the pipeline, it will not get Russian supplies on Chinese terms. If Russia manages to tighten its grip on Central Asia and starts playing off Eastern and Western markets, China's current hedging strategy might even collapse.

Like it or not, Beijing and Brussels are part of an energy manage à trois that includes a capricious Russian bride. How it plays out depends on China's willingness to encourage European upstream deals that would tie down Moscow and reduce the risk of price collision between Russia and Central Asian producers.

Making Central Asian markets work for the EU might even help avert a Sino-Soviet power tussle for regional dominance. A similar logic applies in the Middle East, where a European demand cushion could attenuate Sino-US rivalries, and an increased elasticity of supply would narrow Russian and Central Asian bargaining positions, besides those of the Gulf suppliers.

Put very simply, if China wants to play off key suppliers, it must secure both ends of the consumer pipeline. Unless a bargain can be struck between consumers in the East and those left playing "interdependent" energy games in the West, then both will be worse for it. The time is ripe for a Beijing-Brussels energy pact.

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## We must not stand by while a famine looms

**John Sayer** calls on business and governments to tackle problems in the global food system

The crisis in East Africa has been called a "prefamine" and the "most severe food crisis in the world today" by the UN, while Oxfam ranks it as a category 1 crisis, giving it top priority and launching its largest emergency appeal ever in Africa.

Yet the crisis is not only about food. The lack of investment in agriculture has exacerbated people's suffering. Twenty years of war in Somalia has depleted resources. Climate change has disrupted farming cycles. The price of grain is beyond reach, with sorghum 240 per cent higher than last year and maize 160 per cent. Some areas see only a speck of rain: 8 millimetres a month.

And the crisis is human-made as much as it is natural. It is no coincidence that many of the areas worst affected by the drought are also some of the poorest, least-developed and most-neglected areas in the region.

The fact is that food security has been problematic for some time, with decades of marginalisation, neglect and underinvestment in pastoralists and smallholder farmers. Pasture, grazing land and migration routes that had been used in times of drought are now blocked or allocated for tourism, national parks and large-scale agriculture. People's livelihoods in East Africa have been systematically undermined.

The crisis is also part of an international crisis in the global food system, with many of the same factors at hand: ineffectual government policy, inadequate

support for smallholder agriculture, rising food prices, land-grabbing and climate change.

Around the world, in East Africa, and in Hong Kong too, the price of staple foods – such as wheat and rice – has risen to the point that poor people now spend up to 80 per cent of the little money they have on food.

A recent Oxfam study in 17 countries found that the poor are eating less, and less nutritiously. In Kenya, 75 per cent of respondents said they are not eating the same foods as they did two years ago; 79 per cent said this change is due to rising prices; and 57 per cent that not enough food is available, whatever the price.

Oxfam's global Grow campaign calls on the private sector to transform its business models, especially for global grain trading, of which Archer Daniels Midland, Bunge and Cargill control almost 90 per cent. Their profits must not come at the expense of people's meals, and food must not be a commodity for speculation, hoarding and price fixing.

Grow also calls on all governments – from the Hong Kong government to the G20 – to lead the transformation to a fairer, more sustainable food system. Substantial support for smallholder agriculture is crucial. It is our mutual responsibility to provide food for all people on earth, but it is most particularly the responsibility of our governments.

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