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Global governance and developing countries: the implications of the rise of China

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Global governance and developing
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Jing Gu / John Humphrey / Dirk Messner

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Summary

The size and rapid growth of China, together with its increasing assertiveness, represent a challenge to the established global order. The dynamics and the future impacts of these power shifts for the architecture of global governance and the developing world are far from clear and not at all determined. An analysis of China's participation in the WTO and its stance on development policy indicates that the extent to which China's rise will create tensions varies according to the ways in which the basic interests of China and Western nations clash.

Contents

1	Introduction	1
2	China as a driver of global change	2
3	Global power shifts and China	5
3.1	Western perspectives on global power shifts	6
3.2	Chinese perspectives on global power shifts	7
4	China and the WTO	11
5	Development policy	16
6	Conclusions	20
	Bibliography	23

1 Introduction

The dynamic rise of China as a global economic and political actor is a major topic of current academic and political debates around the world. This global power shift will be one of the most important transformations in international politics in modern history. The direction that China and Western-Chinese relations take may well "*define the strategic future of the world for years to come*" (Bergsten et al. 2006, 1). This discussion is relatively new. Until very recently, the OECD countries perceived themselves as the unchallenged centres of the world economy and world politics. This perception strengthened after 1989. Most discussions in the 1990s on the future of the world economy and of the global governance architecture turned around the concept of an OECD-led world order, with the US, Europe and Japan as the main pillars ("the triad"). By the turn of the century the United States was perceived by many observers as undoubtedly the single power in world politics and in the world economy (Brzezinski 1997; Ikenberry 2002; Wohlforth 2000). The Economist (1999, 15) observed that "*The US bestrides the globe like a colossus. It dominates business, commerce and communication; its economy is the world's most successful, its military might second to none.*" Kagan and Kristol argued that "*Today's international system is built not around a balance of power but around American hegemony.*" (Kagan / Kristol 2000, 66) After 9/11 and during the preparation of the United States for the Iraq conflict, this discussion culminated in the debate on a "*unipolar era*", dominated by a sole superpower, that could last for decades (Cooper 2003; Kagan 2003; Krauthammer 2001; Münkler 2005).

China was not seen by the vast majority of observers in the field of International Relations as a significant global player that could seriously challenge the western dominated global governance architecture. Zbigniew Brzezinski argued that China was still a developing country and therefore no serious challenge to the United States (Brzezinski 2004). Ivo Daalder and James Lindsay's study of the new dynamics in world politics after 9/11 focused on tensions within the transatlantic alliance, without considering that China might change the whole game (Daalder / Lindsay 2005). The global governance debate of the last 15 years, in trying to understand the main drivers and dynamics of globalization, also ignored the rise of China as a significant actor until 2003–04 (Kennedy / Messner / Nuscheler 2002; Nye / Donahue 2000; Rosenau 1995). And last but not least, U.S. and EU security strategy documents in 2002 and 2003 continued to neglect China.

Having ignored the rise of China, the global governance debate changed drastically as it gradually became clear that the unilateral behaviour of the United States in Iraq and in the "*war on terror*" was not working. After discussing the dynamics of a "*unipolar era*" for a decade, Western scholars woke up to the emergence of China, which appeared now in the international academic and public debates as a major challenger of the Western dominated world. The IDS Asian Drivers team detects that China (and other Asian countries), are becoming significant 'drivers of global change' (Kaplinsky 2006). Robert Kaplan reflects on how to counterbalance the 'China Threat' (Kaplan 2005). Joshua Kurlantzick and Joshua Ramo emphasize the growing soft power of China in Asia and in other parts of the developing world (Kurlantzick 2006; Ramo 2005), while Ted Fishman perceives the rising Chinese economy as "*as a new industrial power challenging the world*" (Fishman 2005, 10) and Gabor Steingart dramatizes the global economic power shift, warning against an emerging "*World war on Wealth*" (Steingart 2006).

The emphasis of these European and North American commentators is firmly on the dangers and instability posed by the rise of China. To what extent, however, are these new perspectives overstating the potential for generating conflict of China's (re)emergence on the world stage to the same extent that earlier analyses of global governance underestimated China's impact? In the following, we will argue that the rise of China does imply a tectonic power shift in global arenas in the longer term, with an eventual transition from a unipolar to a multipolar power constellation. However, the dynamics and the future impacts of these power shifts for the architecture of global governance and the developing world are indeterminate. These will be shaped by factors such as the concrete global governance strategies implemented by Western countries and China in specific global governance arenas, the political and economical interactions between the West and China, and the international political environment.

Section 2 of this paper briefly summarises the increasing importance of China as the driver of global change and as a new agent in global governance. Section 3 then considers the analyses of both Western and Chinese scholars on the ways in which China's emergence is likely to be handled by the existing global powers and global governance institutions. This is followed in Sections 4 and 5 by analyses of China's impact in two areas of global governance: the World Trade Organization (WTO) and development policy. To what extent do the activities of China in these areas support particular views about the likelihood of a peaceful and gradual or conflictual transition to a new global governance order? Section 6 concludes that constructive engagement between China and the West is urgently needed in order to avoid turbulences in the global governance architecture and describes favourable preconditions, challenges, and risks that influence such efforts.

2 China as a driver of global change

The extent of China's impact on the global economy has been widely documented. The size and rapid growth of China, together with its increasing assertiveness, represent a challenge to the established order. If current growth rates are projected forward a further 20 years, and if the rapid growth of India and the other Asian economies are put into the equation, then clearly we are witnessing a fundamental shift in power centres in the global economy, with its consequences for global governance.

China's impact on the world economy has been both rapid and remarkably broad:

- The Chinese economy accounted for 2.9 % of global income in 1978, reached 4.7 % of global income in 2004 and is predicted to reach 7.9 % by 2020. Comparing China's growth process with other success stories in history (such as the United States, United Kingdom and Germany), Winter and Yusuf conclude that *"In terms of an expanding share of world output, China's growth spurt has been much greater than any other yet seen"* (Winters / Yusuf 2007, 6). It is not China's rate of growth which is unprecedented, but rather the size of its economy, which means that its impact is much greater than the previous rapidly-growing Asian economies – Japan, Taiwan and Korea.
- China contributed 28 % to the increase of global GDP (Gross Domestic Product) between 1990 and 2005 (the United States: 19 %; Rest of OECD: 18 %). If rapid

growth is maintained, it is estimated that China could account for 37 % of global GDP increase between 2005 and 2020 – more than all the OECD countries together (Dollar 2007).

- The OECD Economic Survey of China predicted that it will overtake Germany and the United States to become the world's largest exporter by 2010 (reported in the press 17 Sept 2005).

China is producing major shifts in global financial flows and in worldwide trade and investment patterns. The question, "*What does the rise of China mean for my country?*", is gaining importance around the world (Winters / Yusuf 2007, 1).

The economic rise of China also results in large-scale changes in important global governance arenas. China's increasing economic weight, its importance to other actors in the global economy (notably the transnational companies and global buyers that have contributed so much to the expansion of the Chinese economy), and the economic policy driven decisions of the Chinese government are already having a huge impact on various global governance arenas. Whether China wishes to be an important global governance actor or not, it already has this role:

- The rapidly growing energy and resources imports of China are shifting global prices and have already started an international debate on the "*renaissance of geopolitical conflicts*" between the United States, Europe, Japan and China (Hale 2005; Umbach 2005). China appears now as a major competitor in the struggle for access to strategic resources from Africa to Central Asia, to Latin America.
- Its enormous currency reserves potentially convert China into a major global governance actor in the field of international financial markets. Chinese internal decisions on monetary policies automatically have global impacts. China has already played an important role in regional financial stability following the 1997 Asian crisis and is making significant contributions to initiatives for regional cooperation around finance, starting with the Chiang Mai Initiative but now developing rapidly (Hefeker / Nabor 2006).
- As a result of its growing trade, China is perceived *de facto* as a significant actor in the WTO. Furthermore, trade and investment decisions in China have a widespread impact on development strategies in almost every developing country.
- China's rapid growth and the economic success of the Asian economies more generally, mean that they are increasingly important contributors to global emissions of greenhouse gases. China will become the most important emission source of greenhouse gases worldwide by the end of the decade. Therefore, while China's per capita energy use and greenhouse gas emissions are low,¹ China will be an important element of any global solution. As Tony Blair, ar-

¹ In 2003 China's per capita energy consumption was 1/10 of the level in the USA and 1/5 of the Western European level.

gued in March 2006, "*Climate change is one of the key environmental challenges we all face. But we must not forget that [the Asian economies] are not the main polluters. We in the industrialised countries are. Asian economies have a right to grow as we have. It is up to us to help you grow with cleaner technology. Asia will also have to be part of any global solution to climate change*" (Blair 2006, 3).

These political spillovers from the economic rise of China need not necessarily translate into an active role in global governance, as the case of Japan shows. Despite its financial weight and significant investments in international aid and international organizations, Japan has not played a significant role in global politics during the last decades. But China does not show such reticence as it intervenes more decisively and pro-actively in global politics. As a result China is changing the scope of action for other actors not only as a spillover of its economic transformation, but also by developing capacities and strategies to achieve the international outcomes it wants.

Current studies show that the process of integration into the world market is accompanied by significant steps by the Chinese government in different fields of world politics (G. Chan 2006; S. Guo 2006; Heberer / Senz 2007; Y. Wang 2006). China, which isolated itself in the international system until the 1970s, and which had been suspicious of multilateral structures that could constrain its sovereignty until the 1990s, is today party to 266 international treaties and more than 130 intergovernmental international organizations, and its compliance behaviour is perceived as generally high (G. Chan 2006, 70).² Similarly, China's participation in UN peacekeeping missions, its pro-active attitudes within the recent UN reform processes, and its efforts to shape the Kyoto process, are signalling that a Chinese multilateralism strategy is emerging (Y. Wang 2003, as well as Cooper and Fues, in this volume and Bauer, Richerzhagen and Scholz in this volume). Furthermore, Wang shows that China is increasingly active in discussing non traditional security issues, such as migration, environmental policies and global diseases and trying to build up global governance capabilities in these arenas of international politics (Y. Wang 2006).

Bilaterally, China is developing strategies towards resource and energy rich countries in Africa, Asia and Latin America. Its engagements in Africa are provoking intensive debates in Western countries (Fues / Grimm / Laufer 2006; Sidiropoulos 2006) and attempts to draw China into aid governance mechanisms such as the OECD DAC and in-country donor committees. Its "energy driven" foreign policies have led to dense relations with developing countries like Burma, Sudan, Zimbabwe, and Iran, stimulating discussions with western countries about how to deal with such 'delicate partners'. Regionally, too, Beijing is promoting regional cooperation processes that do not include the United States. The Shanghai Cooperation Organization (SCO), made up by China, Russia, Uzbekistan, Kyrgyzstan, Kazakhstan, and Tajikistan, is a vehicle to influence a very energy rich region. The 'ASEAN plus 3' (China, Japan, South Korea) process can be interpreted as another attempt to create a sense of community within the region (Zongze 2006).

² A shift to legalism is also evident in regional trade agreements. According to Wang, "*The significance of ACFTA [the ASEAN-China Free Trade Area] lies in that it is China's first foreign trade agreement in which it agrees to resolve bilateral and regional trade disputes through formal mechanisms. This represents a shift toward a rule-oriented approach, or legalism, from the assertion of absolute sovereignty and, to some extent, sinocentrism, in China's foreign trade relations.*" (J. Wang 2006, 19).

China is becoming a major economic and political driver of global change, which means a fundamental power shift towards China that will result in a transition from a unipolar, US and western dominated world order, to a multipolar power constellation with the United States, China and perhaps Europe, Russia and India as its main poles. The question for global governance is how this transition will be handled. The answer to this question is not at all trivial, given that it is historically unprecedented that a developing country like China is becoming a significant global governance actor, putting into question the hitherto unrivalled power of the most developed countries in the global economy.

There is much at stake here. If the transition process becomes conflictual, a struggle for domination between old and new global players at each other's expense, would not only create instability but also distract the global powers and leave them unable to devote their resources to taking on the key issues of the day – those stemming from economic, social, political and environmental globalization.

3 Global power shifts and China

Most of the historical analysis of the *"The rise and fall of the great powers"* (Kennedy 1989) argues that fundamental global power shifts between 1500 and 1945 resulted in rivalries, conflicts and wars. Paul Kennedy discusses the rise of France in the eighteenth century and the related European wars, the power shifts and the tensions between the midling European powers in the eve of the First World War, as well as many other conflicts that he interprets as a consequence of unequal economic growth between declining and rising globally important states.³

Münkler (2005, 53 ff.) describes in his study on empires that rivalries between old and new global powers did not automatically result in direct wars between the competitors, but often in conflicts and wars in the periphery of the global system. He shows that these kinds of competition in periods of power shifts seldom resulted in wars in bipolar systems (like during the cold war) but frequently in violence in multipolar constellations: *"The stronger the competition of various newly emerging global powers, the stronger the pressures that force the old power to underline its hegemonic status by imperial attitudes"* (Münkler 2005, 57). This interpretation is highly relevant for the current global situation, inasmuch the world order is shifting from a unipolar to a multipolar one.

Against this background, Kupchan (Kupchan 2001b, 14) states, that the rise of China will confront the USA and the West with economic and geopolitical dilemmas similar to those that America's rise posed to Britain. We share this preoccupation, but will argue that there is neither an automatism towards peaceful power transitions nor towards conflicts in the current period of major global power shifts.

3 Kennedy concludes at the end of his masterpiece that, *"Those who assume that mankind would not be so foolish as to become involved in another ruinously expensive Great Power war perhaps need reminding that that belief was also widely held for much of the nineteenth century; and, indeed Norman Angell's book The Great Illusion, which became an international bestseller with its argument that war would be economically disastrous to both victors and vanquished, appeared as late as 1910, as the European general staffs were quietly finalizing their war plans"* (Kennedy 1989, 695).

3.1 Western perspectives on global power shifts

Realist and neorealist authors are pessimistic about prospects for peaceful power transitions. Brzezinski (2004) describes why for the United States a shift from a global domination strategy towards a global leadership concept that accepts the emergence of other 'co-superpowers' is neither easy nor likely: *"An experienced European observer, comparing contemporary America to ancient Rome, noted perceptively the 'World powers without rivals are a class unto themselves. They do not accept anyone as equal, and are quick to call loyal followers friends, or amicus populi Romani. They no longer fight, merely punish. They no longer wage wars, but merely create peace. They are honestly outraged when vassals fail to act as vassals' (Bender 2003, 155). One is tempted to add, they do not invade other countries, they only liberate. The author wrote this before 9/11, but his comment strikingly captured the attitude (of) some U.S. policymakers"* (Brzezinski 2004, 216). From such a point of view, a significant conflict between the US as the 'old hegemonic power' and China as the rising global power is almost inevitable.

Against the (neo)realist background other observers compare the rise of an authoritarian China with that of the Kaiser's Germany in the period before the First World War. Robert Kagan's suggests that: *"The Chinese leadership views the world in much the same way Kaiser Wilhelm II did a century ago ... Chinese leaders chafe at the constraints on them and worry that they must change the rules of the international system before the international system changes them"*. Therefore, Kagan believes that China aims *"in the near term, to replace the United States as the dominant power in East Asia and in the long term to challenge America's position as the dominant power in the world"* (Kagan 1997, 3).

An alternative, equally strong Western tradition is to stress the inevitability of interdependence in international relations, that countries are linked inextricably in relationships that call for cooperation through multilateralism mechanisms. From an institutionalist (or liberal) perspective, the rise of China looks different. There are two main lines of argument that differ from the realist world of thinking. Firstly, Adler (2001) argues that in the past international relations were in a 'Newtonian-like stage'. States were sovereign and thus independent to act at will. When interests between states clashed, the tensions would be solved by the use of force. In the 'Newtonian-Age' of world politics, states were measured by mass: territory, population, natural resources, industry and military power. In this kind *"of international relations ... balance of power made sense"* (Adler 2001, 139). From an institutionalist perspective the age of globalization is characterized by global interdependencies. Global diffusion of trade, financial flows and production, trans-border communication and global challenges like climate change encourage competing powers to pursue mutual gain (Haass 2005; Messner 2006). Beyond economic and environmental global interdependencies, the thickening web of international organizations, regimes and networks has created many more rule based global governance arenas and instruments to embed conflicts than predicted by the realists, whose analysis is still anchored in the 'Newtonian-age' (Held / McGrew 2002; Mürle 2006; Slaughter 2004). This observation is even more important when no fundamental ideological fault line (comparable with 'the free world against communism' conflict) between the West and China exists. Moreover the nature of power might have changed: territorial conquest pays less than it used to; technological innovation, communication capabilities and soft power are critical in a globally networked world, whereas military power remains useful to destroy enemies (as the Iraq war demonstrated), but not to shape or even solve globalization problems (Nye 2002).

Therefore, the global conditions for peaceful power transition in world politics could be better today than they have been in the past. From this perspective, the embeddedness of China in the global economy might result in non-confrontational Chinese global governance approaches (Haass 2005, 20; Humphrey / Messner 2006; Nye 2002, 21).

The second line of arguments developed by the institutionalists that differs from the realist school of thought is about interests. Institutionalists recognize and accept the inevitability of the anarchic *structure* of the global system, but they argue that the *process*, the existence of institutions, the interaction among states and resulting learning by them, can lead to cooperation among states (Reinicke 1998, 61). From this point of view, power transitions and the rise and fall of great powers do not automatically result in violent conflicts or even war. There is always a coexistence of opportunities for cooperation and risks for conflict in global governance processes. The outcome of the transition of power depends in this institutionalist perspective on the strategies of the actors involved, their interaction and the existing international institutional setting.

3.2 Chinese perspectives on global power shifts

Given the current structural distribution of economic, political and military power in the global system, China's positioning in world politics and world governance has to be put primarily in the context of US policy. US foreign policy has for many years been informed by the realist approach to international relations. This is not a novelty of the current George Bush Administration: it was the approach of earlier Secretaries of State, including Kissinger, and influential policy advisors such as Brzezinski. At the same time, as Krasner observed in the context of an earlier Asian challenge to US predominance, US foreign policy has long seen the world in terms of friends and enemies:

"With few exceptions American policymakers have had a Manichean view of the world, a perspective that reflects the profound and pervasive influence of Lockean liberalism on foreign policy. Other countries have been classified as either good or evil, as friends or enemies. The United States has found it difficult to identify common interest with enemies or irreconcilable conflicts with friends. In dealing with enemies and American policymakers have been very alert to any alteration in the relative distribution of power and unconcerned with absolute gains" (Krasner 1986, 787).

Clearly, current American political opinion is very concerned about China's growing economic power and political influence in Sub-Saharan Africa, Latin America, and Central Asia⁴. A translation of this generalised concern into practical policy could create a self-fulfilling prophecy of conflict and global disorder. Indeed, there is a school of thought in China's security community that America is engaged in a new 'containment' strategy designed to contain China and retain hegemonic control over the Eurasian heartland (for an extended discussion of this literature and debate, see Tow 2001, 16–17). How do these views of China accord with China's own perceptions of its emerging role in the world and

⁴ See, for example, the successive reports of the US Congress US-China Economic and Security Review Commission; online: <http://www.uscc.gov/>.

its strategies with respect to global power shifts? And what are the implications of differences in perspective with respect to the emerging role of China in global governance and the global economy for global governance in areas relevant to development policy and practice?

There have been many debates in China on its role in the international system in recent years (Hu 2006; Huang 2005; Pang 2005, 2006; Yu / Zhuang 2005). For example, a recent, multilevel evaluation of China's national power status concludes that by 2015, China *"could possibly reach the level of a semi-superpower and rank second in the world ... the change of China's power status will mainly depend on domestic and international factors"*, including unilateralism in US foreign policy and the effectiveness of EU political integration (Yan 2006b, 31) Yan concludes by arguing for the necessity of avoiding 'political errors' domestically and internationally, recognising *"the necessity for China to adopt active policies to protect its rapidly expanded national interests. Active policies will make it possible for China to rise in decades instead of centuries"* (Yan 2006a, 32). While Yan does not explicitly talk about conflict with the United States, there is clearly scope for rivalry and tensions. The argument that China's rise can be accommodated by the international political system in a peaceful, non-confrontational manner is put forward by Feng Yongping of the China East Normal University. His constructivist analysis of the historical transition from British to US dominance seeks to explain the 'anomaly' of the peaceful nature of this process in terms of identity construction. He argues that continuing to focus only on power competition simply reinforces superpower competition. Instead, he argues that *"the main variable enabling a peaceful transition was the interaction between the two nations which caused a change in their mutual recognition of identities"*. The perception of threat was steadily diminished as *"friendship identities based upon security dependability"* facilitated a peaceful power transition. Feng seeks to draw out parallels between the rise of the US and Britain's peaceful accommodation to this and contemporary China-US relations: *"From the perspective of China, which can be considered in a similar state to the United States of that time, the example of successful transition undoubtedly holds deep implications and provides a source of inspiration"* (Feng 2006, 108)

China's foreign policy has to balance two challenges. On the one hand, foreign policy needs to reflect and pursue core national interests, including sustaining growth, with its implications for securing resources and energy. The Chinese government also has to address serious internal challenges that are clearly acknowledged in government documents (such as territorial integrity, regional imbalances, and environmental degradation). On the other hand, foreign policy also needs to address the pressures and responsibilities that the rest of the world is placing on China because of the impacts it has and the anxieties that its rapid increase in influence tend to create (as described in section 2). According to Guo Xuetang from Tongji University: *"With the strengthening of China's national profile, China has accelerated its integration with the world. China urgently needs a spirit of internationalism (responsibility towards international society) to melt away the suspicion toward China from the outside world, so as to enhance its trust towards China's development"* (X. Guo 2005).

The Chinese approach to these issues can be summarised in three elements: interdependence, its identity dilemma and pragmatism. China is anxious not to make the world afraid

of it, while it pursues its rapid economic development. With respect to interdependence, China is aware that its rising power depends on world trade.⁵ The White Paper, *China's Peaceful Development Road*, issued by the State Council Information Office in December 2005, argues that China's economic growth and increasing participation in world trade are in harmony with the globalisation process:

"China's foreign trade is mutually supplementary with many countries. About 70 % of China's exports to the US, Japan and the European Union are labour-intensive, while 80 % of its imports from there are capital intensive and knowledge intensive. In the new structure of international labour division, the country has become a key link in the global industrial chain" (Section IV, 11).⁶

The White Paper states that China makes a huge contribution to world prosperity by being the world's third largest importer. It wants world society to see itself as in a "win-win" situation with China. The same is true for China's trading relationships with developing countries, including Africa, where trade is seen as inevitably beneficial to both partners, irrespective of the composition of the trade flows. China emphasises this point because it is aware that there is now great disquiet among both developed and developing countries about Chinese economic growth. For example, South African president Thabo Mbeki has gone so far as to warn of the dangers of 'a replication' of old colonial trade dependencies and the potential for it to be "condemned to underdevelopment".⁷

China inevitably lacks a clear definition of its international role because of its identity dilemma – it falls between developed and developing countries. In spite of growing recognition within China of its new global status, China's perception of its international role is informed by the idea of its newcomer status. Pang argues that China has still not completed the process of joining the international system, so the 'joining mentality' is prevalent, with a lack of a 'role-player mentality': "Currently China pays more attention to the aspect of joining than what role China should play and how to play it in the international arena ... Mostly China plays a passive, partial, goal-oriented and limited role" (Pang 2006, 321). In this it may disappoint both developed and developing countries. As Pang notes, China is a 'participant' in the international system, but it neither wishes to be a leader of a developing country block, nor to side with the developed countries (2006, 321). This pragmatic approach, which will be discussed in the context of the WTO in the following section, is also a characteristic of China's UN Security Council participation.

Thus, the third distinctive element of China's global self-presentation is its cautious, reactive and pragmatic diplomacy. This is where an ingrained cultural style combines with a deeply pragmatic responsive mode towards the dominant power in world society. Wang states:

5 See the paper by McDonald et al., in this volume, which emphasises the high level of integration between China and its regional neighbours. Another example of this interdependence is China's massive holdings of US dollars, which can be seen as a means of restraining US action against China.

6 The full English version of this document can be found in the People's Daily Online, for 22 December 2005, available at: http://english.people.com.cn/200512/22/eng20051222_230059.html.

7 BBC News Online, 'Mbeki warns on China-Africa ties', 14 December 2006, available online: <http://news.bbc.co.uk/1/hi/business/6178897.stm>.

"In Chinese eyes, 'adjustments' in domestic and foreign policies are only natural as long as 'principles and goals' remain unchanged ... In the Chinese mind, wise and far-sighted statesmen are those who can 'adroitly guide action according to circumstances (yinshi lidao)'" (J. Wang 1998, 489–490).

A primary principle of Chinese culture is the practical, common sense and utilitarian way of adapting to particular relationships. In an interview with Joshua Cooper Ramo, the author of the 'Beijing Consensus, the former Singapore's leader Lee Kuan Yew remarked that: "[The Chinese leadership] made ad hoc pragmatic decisions as they went along, and then looked to whether that led to disorder or loss of control ... This is a controlled opening up, exposure to foreign ideas of people who are absolutely sound ideologically. I detect a pragmatic step by step approach" (Ramo 2005 No. 2114, 62). Pragmatism means that foreign policy is driven by core national interests, including sustaining growth, with its implications for securing resource and energy, and also being willing to work within the realities of global power relationships.

China's pragmatic approach explains the collective mentality of a country anxious not to make the world afraid of it, while it pursues a pathway of rapid economic development. However, China is simultaneously a country with a colonial history and a firm unwillingness simply to accept Western moral and political hegemony. Intercivilisational equality and mutual respect are not merely code-words for peace. They also imply that mutual respect and the importance of avoiding conflict should involve the notion of 'minding one's own business'. For this reason, China strongly asserts, to Western dismay, its right to pursue its bilateral aid policy in the manner it sees fit, not accepting what it sees as interference from the West.

A consequence of these three elements of China's stance is non-confrontation. In part, this can be seen as a pragmatic response to China's continuing relative weakness compared to the United States. Open confrontation would not serve China's interests at the present time. For this reason, China stresses the multilateral route for solutions to global problems and conflicts. Multilateralism is pursued by China as a means of avoiding conflict. China's support for the UN reflects its desire to avoid conflict and resolve disputes peacefully and, given the currently superior economic and military power of the United States, this view is clearly pragmatic. Whatever the suspicion with which Chinese intentions are treated, China persists in its official line on conflict resolution. This is stated particularly authoritatively in the Report of The Sixteenth National Congress of the CPC. In Section IX, 'The International Situation and Our External Work', it asserts that: *"In the area of security, countries should trust one another and work together to maintain security, foster a new security concept featuring mutual trust, mutual benefit, equality and co-ordination, and settle their disputes through dialogue and co-operation and should not resort to the use or threat of force."*⁸

This approach to international relations is deeply embedded in the Chinese approach to social and personal relations. A central feature of relations with other people and diplomatic relations generally is not insisting absolutely on one's rights, the idea of face, of not forcing a loss of dignity by compromising the other person. The underlying principle is,

⁸ Section IX, Report of The Sixteenth National Congress of the CPC.

therefore, not self-realization and the development of one's own personality, but preserving a social or family harmony, in which everyone can keep face. *"The tradition of face-saving is also a source of over-emphasis on mediation in handling disputes, as the mediation approach would deal with the case privately – nothing being public there is no possibility of losing face"* (Gaojian 2003, 71). This comes together with the theory of reputation in neo-liberal institutional theory, and with the element of collective self-esteem. Brooks and Wohlforth define reputation in the following terms:

"The significance of reputation within institutionalist theory points to a powerful admonition against unilateralism. ... institutionalist theory rests on the notion that states carry a general reputation for cooperativeness that determines their attractiveness as a treaty partner both now and in the future agreements" (Brooks / Wohlforth 2005, 516).

The comparison between US approaches to global power shifts influenced by realism and institutionalism, with Chinese appeals to doctrines of intercivilisational harmony and economic interdependence, reflect in part that the US is the threatened power, that it is tempted to take initiatives to respond to this. China is still the power that has to wait, to allow its capacities to continue to grow, to react pragmatically to the larger power's initiatives, trying to curtail the latter's use of its power.

Hence, one interpretation by the United States and other countries of Chinese arguments about intercivilizational respect might be to point to a traditional Chinese figure, Sun Tzu, who argued that a superior way to defeat an enemy is not militarily but psychologically: *"The warrior's way is one of deception. The key to success is to capitalize on your power to do the unexpected, when appearing to be unprepared"* (March 1990, 30). Patient information gathering (see section 4 on China in the WTO) while giving nothing away is the key to a warrior of deception, while cultivating the appearance of social virtues. For this reason, Chinese reticence and statements of good faith are viewed with suspicion. For the Chinese, things are different: *"Humility, self-effacement, and the absence of pretension are cultivated social virtues"* (March 1990, 31).

What does this mean for global governance and the central issues of development policy? The rise of the Asian economies in general does create adjustment pressures for the global economy and in the architecture of global governance. Substantial differences in the Chinese and US approaches to global governance and geopolitical competition may give rise to misunderstandings and exacerbate the tensions created by the shifting balance of global power. However, in order to see how these differences might or might not lead to tensions and conflict, it is essential to examine China's stances in specific areas of global governance. In the following two sections, China's behaviour in the WTO and China's policies towards developing countries are examined.

4 China and the WTO

The issue of China and its impact on the WTO is frequently considered in terms of two areas of Western concern. The first relates to whether or not China is complying with the commitments it made as part of its accession to the WTO. For example, in the strategic review of EU-China relations that formed a key component of the EU's Global Europe

Trade Policy Framework launched in October 2006, the EU acknowledged the positive contribution of China to global and EU economic growth and trade, but it also set out a range of criticisms of what it defined as 'unfair trade' – specifically to want China to undertake further market opening, liberalise trade in services and investment, open the government procurement market, end unfair state subsidies, and 'fully reform' the Chinese banking sector.⁹

The second issue relates to the participation of China in the Doha round negotiations. The EU trade Commissioner, Peter Mandelson, argued in 2006 that: *"China has reached a stage in its development when it is legitimate to point to China's growing responsibilities: to maintain an open global trading system, to help deliver a global trade deal in the WTO, and to remove barriers to further trade"* (Mandelson 2006). Similarly, the Financial Times reported that Susan Schwab, the US Trade Representative, *"expressed surprise that China was willing to allow other developing countries to represent its interest in the Doha talks through the 'G6' negotiating group, which includes the European Union, the US, India, Brazil, Japan and Australia"* (McGregor 2006). Both the European Union and the United States want China to play a more active role in these negotiations. China's sense of its newcomer status and its preference for keeping a low profile means that it was unlikely to respond to these demands.

More broadly, there are concerns about how China will affect the governability of the WTO. Will China act as an ally of the developing countries in the context of Doha, or will it see its long-term interests as lying more with the industrially advanced countries? How much will China see its interests as requiring it to challenge the current rules of the game, or in contrast, to support and sustain an orderly system of trade? In other words, other countries and observers wonder if China will disrupt global governance of trade or strengthen it.

These dichotomised views of China's likely behaviour and impact fail to appreciate the nuances of its position. China's use of the dispute settlement system (DSS) at the WTO reveals that it can be assertive and willing to defend what it sees as its own interests, while simultaneously working within the established WTO framework. Although trade rounds are a highly visible manifestation of WTO activity, most of the organisation's work involves interpreting and applying trade rules. Here, China has made an impact through the DSS and, above all, in the 55 cases in which it has participated in disputes as a third party.

China's goals in the WTO are to better protect its interests, actively to involve itself in the development of the rules of multilateral trade regime, including through the DSS, and to build up its international image. In pursuing this strategy, China has used its experience in the WTO to build up its capabilities, learn about how the organisation operates, influence the WTO's procedures and defend its own economic interests. China has participated in the DSS in three ways: as a party, whether as a plaintiff or as a defendant; as a participant in the Doha Round Working Group on the DSS, calling for changes in the way the settlement system operates, and finally, as a third party to disputes involving other countries, making its own comments on the legal aspects of the disputes.

⁹ As reported by the EU; online: http://ec.europa.eu/trade/issues/bilateral/countries/china/pr241006_en.htm.

Up until the end of 2006, China was only involved in four DSS cases as a defendant, and just one as a plaintiff.¹⁰ Its first case was as one of a large group of plaintiffs in the steel dispute with the US. China very much saw this as a safe learning experience under the protective wing of other plaintiffs such as the EU. This is an example of its cautious, reactive role. In the short period of time since its accession, China has used its experiences as a defendant to better understand the workings of the system and to better respond to future trade disputes. The extent of China's developing learning curve is seen in the contrast between China's handling of its first dispute as a defendant and subsequent ones. In the first dispute, over tax rebates for domestically-produced integrated circuits, China immediately climbed down in the face of a threat by the United States to provoke a panel proceeding. It did so because of its lack of experience as a defendant and its consequent anxiety not to lose face.

However, in three subsequent disputes relating to tariffs on imported automotive components, China has not climbed down, even though the United States was joined in the disputes by Canada and the EU. These countries filed cases against China, claiming that China was charging unfair tariffs on imported auto parts, acting inconsistently with relevant Articles of the GATT 1994 and WTO obligations. China allowed the matter goes to a panel referral in October. A trade expert at a Ministry of Commerce think tank, Mei Xinyu said: *"The final result of the trade row will certainly be decided through the parties' relevant economic and political capacities, alongside their mastering of WTO rules and negotiation"*.¹¹ According to one senior Chinese researcher, *"It depends on how important this automobile policy is for the domestic industry. China can always use the skills she learned from the Americans in the steel disputes"*.¹² In common with other areas of Chinese diplomacy, the strategy is to listen and learn and then use the learning to improve negotiating capacity.

The second area in which China has been active around the DSS has been reform of the dispute settlement mechanism itself in the Doha Round Working Group. China is concerned both with the problems of delays in panel proceedings and also the technical and administrative difficulties faced by developing countries. China addressed the latter through tabling *Specific Amendments to the Dispute Settlement Understanding – Drafting Inputs from China* (WTO, TN/DS/W/51/Rev.1, 13 March 2003, 1–3. This proposed a number of ways in which developing country members of the WTO might gain protection from cases brought by a developed country members. First, there would be a limit on the number of cases that developed country members could bring in any one year. Specifically, China proposed that:

"Developed country Members shall exercise due restraint in cases against developing country Members. Developed country Members shall not bring more than two cases to the WTO Dispute Settlement Body against a particular developing country Member in one calendar year" (WTO, TN/DS/W/51/Rev.1, 2).

10 A further case – relating to tax refunds, reductions and exemptions to Chinese companies that might favour domestic products over imported, or require enterprises to meet certain export commitments – was lodged by the USA in February 2007.

11 People's Daily, 'China becomes victim of trade protectionism', available online: http://english.people.com.cn/200604/10/eng20060410_257189.html.

12 Interviewed by Jing Gu.

No similar constraint would be placed on developing countries. Second, if a developed country brings a case against a developing country that is not supported by the Panel or the Appellate Body, the developed country member will pay the developing country member's costs (see WTO, TN/DS/W/51/Rev.1, 2).

In making such proposals for reform, China positioned itself as an active and responsible developing country, recommending that one way of unblocking the disputes mechanism is to restrain developed countries from using it as a means of harassing developing countries that lack the human and financial resources necessary to sustain frequent litigation. In doing so, Luan argues that this Chinese proposal should be seen as a cultural symbol. In its cultural traditions *Yi*, i.e. Right, is important. It refers to just, impartial and rational legal provisions. However, to actualize the *Yi* it is also necessary to consider *Mou*, i.e. Tact. This Chinese proposal would make the settlement of disputes on the basis of goodwill and trust more likely (Luan 2003, 1114–15).

The third and most substantial aspect of China's participation in the DSS relates to its participation as a third party in disputes. By 2006, China had been involved in 55 cases as a third party, and China is involved in about half of all WTO cases as a third party. Any member having a substantial interest in a matter before a panel and having notified its interest to the Dispute Settlement Body can be a third party to a dispute. This means that it can make written submissions to the panel and subsequently receive the submissions to the first substantive meeting of the panel by the parties to the dispute. For a WTO member, being a third party means gaining experience, while investing few resources (material and symbolic), and coming to integrate oneself into the system.

China as a third party has mainly been involved in two categories of disputes. One is disputes in which China has substantial trade interests and when the result of the case will have direct impact on China. The other is where there are no obvious effects on China but the dispute has significance for the WTO regime, so that China's interests will be affected indirectly.

An example of the former is the case concerning *Rules of Origin for Textiles and Apparel Products between the US and India*. China, as an important manufacturer and exporter of textile and apparel products, acted as a third party. Though in the end it had to accept that the main party, India, was defeated, China could still put forward its understanding of WTO rules. China argued that the US had introduced new rules of origin that were supposed to be for customs verification purposes, but were in fact for protectionist trading purposes. By joining in this action with other textile exporters such as Pakistan, Bangladesh and the Philippines, China learned to involve itself in a complex technical argument about customs law and rules of origin, even if it was unsuccessful. Clearly textiles are a major source of China's trade and association with its main partners or competitors in trying to shape the rules of this trade is an example of responsible and engaged behaviour. The complexity of this issue shows that China is taking legal advice and acquiring legal skills.

China was in more successful company in the dispute with the European Commission (EC) over sugar subsidies, and in particular export subsidies. While two categories of sugar, A and B sugar, could be sold profitably on the EU domestic market, C sugar (according to internal EC regulations) had to be exported, selling at the lower, world market

price. From the Chinese perspective, the key issue was whether subsidies to A and B sugar were cross-subsidising exports of C sugar. China focused exactly on this weakness, arguing in its submission that: *"the higher revenue sales in the EC sugar market effectively financed part of the lower revenue sales on world markets"*, and that *"by funding the portion of the shared fixed costs of production attributable to the lowered priced products, i.e. C sugar, the demonstrable link between the EC governmental action and the 'financing' was well established"* (WTO, TN/DS/W/ 51/Rev.1, 13 March 2003, 1–3). This was the very argument that the Panel and Appellate Body both accepted (WT/DS265/R, WT/DS265/AB/R, WT/DS266/AB/R, WT/DS283/ AB/R, 15 October 2004, 28 April 2005).

The sugar case was important to China. China's sugar prices have dropped 35 % following trade liberalisation, so much so that there was clearly a risk that China's interests would not be fully represented by being a mere third party rather than as a plaintiff. Acting as a third party, China reduced the financial costs of participation. More important, in such legal processes, China was still clearly only willing to provide an opinion, but in so doing acquiring further legal skills for the time when it cannot avoid being a defendant.

To summarise, there are four non-material interests which influence China's participation policy as a 'third party':

1. China does not run a great risk of direct confrontation, and also no great diplomatic risk; so from the cultural point of view one can see China can be fully engaged in the DSS process, but without contradicting its traditional Confucian attitude to litigation as such. It does not run the risk of losing face when it acts as a third party.
2. China can gather great amounts of information and improve its ability to handle future disputes.
3. China becomes involved in the making and application of the WTO rules: participation in the trials of WTO cases means participating in rule making. Judges have a creative role in interpreting WTO law during the dispute settlement process.
4. Participation as a third party can increase China's influence, as the frequency and amount of China's participation as third party has already drawn the attention of other WTO parties and demonstrates China's strength of will: *"China is frequently airing its opinion in WTO cases making clear its view and position to the other members, expanding China's influence in the WTO"* (Ji / Jiang 2005, 4).

These findings contradict the usual arguments about China's low profile in the WTO. Given that attention is now directed primarily to the DSS, following the continuing failure of the Doha Round, China is asserting itself in this key area while supporting the procedures of the WTO.

Song (2003, 194) emphasizes the difficulties of characterizing China's position as either a developing country wanting fairer trading conditions for developing countries or an emerging power with much to gain from the maintenance of the economic order created by the WTO. China's WTO membership does not appear, on the available evidence, to represent anything more than the challenge of a new, but obviously extremely substantial, competitor in the global economy. For the existing economic heavyweights of the global

economic system this challenge is serious and, as various trade disputes suggest, the clash of the respective economic interests can, at times, be raw. However, in terms of the politics of the Doha trade round, China's challenge emerges more sharply in the context of a negotiation vacuum and the capacity to translate national economic strength into political bargaining power.

The deeper resonance rests with the accretion of economic and political power by China both in the WTO and in the wider global economy itself. This is more than an issue of good behaviour and responsibility. It is about the growing potential for China to author a shift in the character of the organizational and systemic cultures of trade governance and the continuing national interests at play.

With regard to the WTO, and particularly the negotiations of the Doha Round, China was accused of adopting a conspicuously low profile. It argued privately (and perhaps somewhat disingenuously) that the concessions it made as part of its entry into the WTO made it difficult for it to be advocating a new round of market-opening measures (Gao 2006). As we have argued above, this notion of a low profile is somewhat questionable - ignoring as it does the cultural differences of negotiating styles involved. China identified itself as a developing country which does share economic interests with other leading developing countries. However, it is clear from Doha that, politically as much as economically, China is at a major crossroads in its relations with the developed economies as much as the developing economies. This should represent a source of opportunity for constructive engagement rather than a risk of strategic trade confrontation. The challenge for the world is to recognise this and grasp the opportunity. The encouraging element here is that there appears to be some recognition of this in recent EU statements.¹³

5 Development policy

If the behaviour of China in the WTO suggests that for the time being it is willing to pursue what it perceives as its national interests, but within the existing institutional framework, the impact of China on development policy, particularly but not exclusively in sub-Saharan Africa, shows more clearly the tensions and rivalries between China and the West. As Kupchan observes, even if from an institutionalist perspective global interdependencies and the existing network of global governance institutions may make contemporary power transitions easier to manage, contests over critical resources (water, oil, lines of communication) are still likely to occur (Kupchan 2001c, 168). In the area of development policy, China's pragmatic goals of securing economic resources and diplomatic support comes up clearly against Western concerns about China's increasing competitive strength and influence and its reluctance to play by the same rules as the OECD countries.

The rise of China presents a potential challenge to the development policies and strategies of the industrialised countries. The OECD countries, through the Development Assistant Committee, agreed a set of principles, also supported by African countries, which emphasises the importance of trade liberalisation, financial reform, market reforms, and condi-

¹³ See, for example, Benita Ferrero-Waldner and Peter Mandelson in the International Herald Tribune; online: http://ec.europa.eu/commission_barroso/mandelson/speeches_articles/artpm036_en.htm.

tionality – aid made conditional on adherence to particular commitments on economic reform, human rights and good governance. China's policies have openly challenged these positions, making it clear that China views the motivations of the OECD countries with suspicion and aligns itself as a defender of Africa against them. As Luo puts it, *"In Africa, debt related issues such as borrowing, paying back loans, debt relief and debt rearrangement are definitely not simple economical issues, they are complicated political issues as well. The Paris Club led by the US usually use debt as a tool, and adopt means like threats and promises to push its African policy, and open convenient doors to expand its interests."* (Luo 2006, 215).

This challenge is disconcerting to the OECD countries. Murphy (2000, 797) suggests that the success of the industrialised countries in creating a particular agenda for development has been based upon a combination of financial power (aid, influence in international financial institutions, etc.), the credibility that goes with strong and wealthy economies, and the ability to define development agendas.

China's rise undermines all three of these factors. First, it presents a challenge to the development project of the Western nations, offering an alternative view of what development is and how to achieve it. China has not followed the standard Washington Consensus prescriptions with regard to economic liberalisation. In many respects, it diverges from them. And for a country growing for over 20 years at rates unimaginable outside of Asia, the argument that growth would have been even faster had the standard prescriptions been adopted is simply not credible. A further consequence of this rapid growth is the increasing importance of China as a trading partner and a potential source of investment and aid. As Stephen Chan observes, China is seen by many countries as an opportunity: *"It is an African scramble for China more than the other way round"* (S. Chan 2006).

Second, while China is not yet able to challenge Western hegemony in international financial institutions or even to challenge Western aid spending, its aid is both symbolic and for some countries substantial. According to Kurlantzick, China became the largest foreign investor in Cambodia in 2005 and its foreign aid is double that of the United States in Indonesia, three times as large in Laos and four times as large in the Philippines (Kurlantzick 2006, 3–4). Although Chinese aid to Africa is on a lower scale, it is more visible and more of an overt challenge to Western policy. China's \$ 2 billion loan to Angola, which enabled that country to avoid IMF conditionality, is widely cited as an example of China undoing Western policy in order to gain access to Africa's resources (Alden 2005, 6).¹⁴

Third, Kurlantzick observes that China is *"challenging US 'soft power' – the combination of economic vitality, cultural pull, trade and diplomacy that, as much as military force, has made the US the pre-eminent force in the world"* (2005, 28). Trade, investment and aid are reinforced by cultural exchanges and the expansion of Chinese language schools, scholarships to Chinese universities training programmes Thompson (2005) highlights China's efforts to build alliances in the region and the attractiveness of its practical support (infrastructure, healthcare, education etc.). At the Beijing Summit in November 2006,

14 The breakdown of talks between Sinopec and the Angolan state oil company Sonangol over construction of the Lobito oil refinery in March 2007 indicates that there are limits to the influence that China can obtain in this way.

China promised to double aid to Africa by 2009,¹⁵ grant \$5 billion in concessional credits and a further \$5 billion to support Chinese investment in Africa and to make further investments in African human resource development. It is important to note, however, that the Summit was only the culmination of intensive diplomatic efforts to court Africa's leaders. Between them, President Hu Jintao and Premier Wen Jiabao made eight visits to China from 2000 to 2007. China has invested large amounts of diplomatic time and effort in Africa.

Africa's rise up the Chinese government's agendas results from political-strategic and economic factors. China has long sought diplomatic support in Africa, as highlighted by Luo (2006), Tull (2006, 460–61) and Jiang (2006). Africa's large number of countries provide support for China's broad diplomatic interests. China looked to Africa for support in the 1960s, promoting the Third Way as an alternative to both Soviet and US influence. This culminated in China's accession to the UN in 1971, which was strongly supported by African states (Jiang 2006, 7–8). Clearly, the Taiwan issue was and is central, with the Beijing government repeatedly harnessing African diplomatic support to block Taiwanese membership of organisations such as the WHO. Such support has also been important in the constant political battle to reject UN motions critical of China's human rights record. Both Tull and Jiang trace the diplomatic offensive in Africa to the period after Tiananmen Square in 1989, when China was isolated and under pressure from the West. Thereafter, the emphasis upon South-South dialogue and cooperation increased as part of a deliberate policy to engage with states that were less critical on human rights issues and were held, publicly at least, to have shared experiences of Western colonialism and post-colonial human rights criticism. For one observer, *"Relations with Africa are still the most important and reliable part of China's foreign relations. China and Africa relations are the base-point of Chinese diplomacy"* (Zhang 2007).

China's increasing presence in Africa is also linked to a search for resources to sustain its rapidly-growing economy. With respect to energy, in particular, Africa is one of the areas of the world with newly-developing oil resources that have not been tied up by Western countries. China's imports from Africa are overwhelmingly resource-based. The most important trading partners for China in Africa are exporters of oil and minerals, with the five largest exporters to China being Angola, the Democratic Republic of Congo, Equatorial Guinea, South Africa and Sudan. Even South Africa's exports to China are now overwhelmingly mineral-based (Tull 2006, 472). The goal is not only to secure resources now, but to obtain future exploration rights, and this has a strong diplomatic element.

The manner of China's engagement with Africa has caused concern, if not outrage, in Western development agencies. Government officials express their views cautiously. The UK Secretary of State for International Development, Hilary Benn, said, *"China will come to see that it has the same interests as the rest of the world in ensuring stability, fighting corruption and ensuring sustainable levels of debt in Africa"*.¹⁶ This highlights three areas of concern for OECD countries about China's role in Africa.

15 However, with no clear figure for the current Chinese aid to Africa, the meaning of a doubling is unclear.

16 February 2007. See <http://www.dfid.gov.uk/news/files/china-africa-statements.asp>.

Other commentators are less measured. Tull argues that *"China's economic impact may prove to be a mixed blessing, whereas the political consequences of its return [to Africa] are likely to prove deleterious"*, and he goes on to argue that Chinese policies benefit elites in Africa rather than ordinary citizens (2006, 460 and 466). Similarly, Kurlantzick suggests that *"the values and models China projects to Southeast Asia – and eventually to other developing nations – could be disastrous for a region of nascent democracies and weak civil societies"* (2006, 2).

It is not too difficult for Chinese writers and politicians to shrug off Western criticisms. Commenting on the issue of oil extraction in Africa, for example, Zhou Xiaojing, vice-director of the Institute of Asian and African Development Studies, State Council Development Research Center argued in the People's Daily Online that:

- China is not a threat, China is not practicing neo-colonialism.
- The United States imports three times more oil from Africa than China.¹⁷
- Western oil companies are also investing heavily in African oil.
- *"The fundamental reasons for western countries deliberately playing up the 'China threat theory' is because they are afraid that the enhancement of China-Africa relations will challenge western countries' interests in Africa"* (Zhou 2006).

China also argues that Africa's level of development and resource endowment make the exploitation of natural resources an appropriate development strategy. It is up to Africans to use the resources that these exports generate wisely to take development to the next level. China faced many of the same problems in the late 1940s and overcame them.

It is not so easy for China to dismiss African expressions of concern. Zhou Xiaojing (see above) had to admit that a problem existed:

"However, we must also realize that the African version of the 'China threat theory' does have a certain negative impact in some African countries. To destroy the 'theory', in addition to continuing to maintain the political and economic interests of the African countries in the international arena and bilateral field, efforts should be made to actively to promote multilateral dialogue mechanisms, eliminate mistrust through active dialogue, as well as strengthen the friendship and cooperative fruits as a result of the efforts of decades" (Zhou 2006).

President Hu Jintao's visit to Zambia in February 2007 was marred by protests over competition from textile imports from China and by complaints over working conditions in Chinese-owned mines. Even before then, complaints about the use of Chinese labour in infrastructure projects in Africa had filtered back to Beijing, leading to high-level discussions about potential damage to China's reputation from the activities of some Chinese companies.

17 To which he might have added that the share of oil in total imports from Africa was lower for China in 2004 than for the United States (Broadman 2006, 72 and 81).

In the face of these criticisms, Chinese pragmatism is likely to lead to policy changes. Whereas Tull was able to suggest in 2005 that South African complaints about competition from imported Chinese textiles would fall on deaf ears in China (2006, 473), by mid-2006 China had come to an agreement about voluntary export restraint and promotion of Chinese textile *foreign direct investment* (FDI).

In some ways, China has been naïve in Africa, and to a lesser extent in terms of its relationships with the rest of the world. Its "win-win" perspective on trade assumes that trade automatically benefits both parties. It cites its own experience as evidence that trade in commodities can benefit countries if they know how to put the export revenues to good use, thus rejecting one of the main concerns of African countries. Criticism of China's trade policies, and concerns about Dutch disease and commodity booms may have come as a surprise. At the same time, developing countries are becoming more vociferous about access to the Chinese market. Whether it likes it or not, China will have to adjust to expectations that it is a great power.

These tendencies signal that there is scope for some approximation on aid and development policies, in spite of current tensions. Whether China changes or not depends very much on how Africa itself expresses its concerns. If the African Union or the New Partnership for Africa's Development (NEPAD) voice concerns about other aspects of Chinese policy in Africa, then a response is much more likely than if the West voices the same concerns.

6 Conclusions

We have argued that as a result of its outward oriented economic growth and its embeddedness in the global economy, China has become a major driver of global change and *de facto* a significant global governance actor. What China chooses to do or not to do can, and often does, have profound consequences for many other actors globally. The impacts of Chinese growth are changing the conditions and room for manoeuvre in the global economy – for developing and developed countries alike. As a result, many global problems will be insoluble without Chinese global engagement.

History and (neo)realist theory suggest that such a rise of a new global power will sooner or later result in conflictual balance of power strategies between the old and the new global drivers of change. This is by no means inevitable, but our theoretical arguments and our empirical case studies demonstrate that Western and Chinese proactive political strategies towards a peaceful global power transition are needed in order to avoid global turbulences. Four conclusions are key here:

First, we have demonstrated that different global governance arenas, characterized by different interest structures and institutional settings, are following different political logics. The WTO arena is accepted by Western countries and China as the institutional context to deal with conflictive trade interests, based on a common understanding of reciprocal interdependencies and interests between both sides regarding a stable global trade regime. In addition the WTO is not a purely OECD-led organization, but a more inclusive institution, covering most parts of the developing world and based on legal procedures and unanimous agreement. This structure results in learning-oriented and non-confrontational strategies of

the Chinese government and rule based behaviour of Western actors. In this field, institutional optimism – that cooperation and common institution building between new and old global powers is possible – seems to be justified. The development policy arena is different. The fierce competition on access to energy and resources in developing countries is much stronger here than interdependent links and interests between Western countries and China. Moreover the old and the new powers do not agree on a common institutional structure where they could deal with their conflictive perceptions and interests. The developed countries would like to see the OECD / DAC rules on development cooperation to be accepted by China, but China is neither willing to be part of this Western dominated club, nor inclined to accept the right of Western countries to make judgments on its policies. Therefore, serious political efforts are necessary to escape the competitive dynamics endemic to international politics. Based on these observations, it would be important to identify global governance arenas characterized by level playing fields (like the WTO) and converging or at least complementary interests between China and Western countries, in order to make rapid progress in reducing mistrust and bringing forward cooperative patterns of interaction. At the same time, more conflictual areas (in terms of interests and global governance institutions where China feels discriminated against and threatened) have to be contained, so that adversarial interactions can be minimised.

Secondly, we agree with Kupchan (2001b) that the reciprocal construction of benign images should enable the rising and the (relatively) declining powers to view each other as non-threatening actors. Furthermore, old and new powers should agree on the main pillars and key elements of the new international order. The dynamics in the WTO arena might again coincide with these preconditions for a peaceful power transition. The controversies on China's role in Africa and as a "new donor" as well as the perception of China as a major threat for the US and the Western countries (in Asia, in global labour markets, in the fields of resources and energy, and as a new motor of global climate change), that inspire significant parts of Western academic and political debates, demonstrate that political initiatives are needed to avoid a self fulfilling prophecy of conflicts, turbulence and a revival of a global governance architecture based on a balance of power. The Western countries should accept that they are not any longer in a position to prevent the rise of China and other actors of global change. The objective should be to design a strategy towards China that does not only constrain competition, but develop common commitments on how to deal together on pressing global challenges. Or as Kupchan put it: *"both Americans and Chinese should take into consideration how important are the broader images that the two polities hold of one another. Politicians of both sides should therefore exercise great caution and avoid using diatribes against the other for domestic political purposes. The top priority for the future is not getting the balance of power right ... Instead, the goal is to embark on a long-term process of rapprochement that will eventually succeed in fostering the mutual recognition of benign character"* (Kupchan 2001a, 171).

Thirdly, our case studies (supplemented by the findings of Cooper and Fues in this volume) and the analysis of the Chinese debates on the rise of China in global politics demonstrate that China does not yet have an irrevocably defined and comprehensive global governance strategy. Chinese actors are still learning (rapidly) how to build up global governance capabilities in many global governance arenas, and how to balance national interests with regional and global challenges and responsibilities. Furthermore, the Chinese government seems to be very aware of the fact that international stability and a positive international perception of its global rise are important preconditions for a smooth domes-

tic transformation processes. This makes China sensitive for external criticism and amenable for a constructive engagement with Western countries.

Fourthly, although international interdependencies could create certain common interests between China and the old powers, there are important "soft intricacies" that are often neglected in international relations theories: there is a lack of cultural and linguistic affinity and the norm and value settings of China and the Western countries do not coincide easily. How to understand human rights? How to deal with political liberalization and democracy in national and international affairs? Our analysis demonstrates that these differences provide a fruitful ground for misunderstanding. Against this background it is not surprising that many Western authors are optimistic that a stronger Europe and its concomitant global power shift would not result in violent conflicts between the USA and the European Union (Daalder / Lindsay 2005; Kupchan 2001b, Nye 2002, No. 2298). But because of the aforementioned factors of culture, language, history and value settings, some of these authors are less optimistic about the prospects for the US/West and China. Taking these arguments seriously, long term investments in common interest building, making room at the table for the rising challenger in international organizations, forums or clubs, joint initiatives to deal with global challenges, and the creation of common institutional networks will be challenging but essential.

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