Bachelor Thesis

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[THE EUROPEAN RAW MATERIAL POLICY TOWARDS AFRICA IN THE CONTEXT OF CHINA´S AFRICA AMBITIONS]

A policy analysis from 1990 - 2013

Abstract

This thesis focuses on the challenges the European Union has to tackle in its African raw material policy, due to the increasing involvement of China on the African continent. The paper represents a study of legal, economic, political and sociological factors influencing EU raw material policy and contrast them with respective factors that influence Chinese raw material policy. The study is meant to analyze the importance of the various factors in the EU policy-making process and takes an additional look at what the EU could learn from the Chinese policy approach.

Chinese investments in Africa have grown in a breathtaking way: Whereas the country wasn’t one of the top 20 investors in Africa before the year 2000 (Leeb & Dorsey, 2013) the Chinese managed to become the fourth biggest investment flow provider on the African continent in the year 2011, behind France, the US and Malaysia (Baynton-Glen, 2012). This has been achieved due to the Chinese authoritarian government style which allows for a bundling the country´s corporate investments and the country`s aid and foreign diplomacy together in order to buy extraction rights in Africa in return for large infrastructure projects, which makes Chinese investments very attractive for the African states.

The EU on the other hand followed a different strategy since its free market economy gives the responsibility of raw material supply solely to the Union´s private companies. That is why European aid policy, its foreign policy and private investments are coordinated relatively weakly in comparison. However, due to increasing fears of raw material shortages the EU raw material initiative was launched in 2008 to establish a more effective raw material policy.

The paper compares both the Chinese and European policy approach in detail, looks at which factors influenced the European raw material policies the most and takes a look at how much the EU is trying to copy Chinese policies or establishes a different kind of policy. The factors influencing the European raw material policies are inspired by Sabatier’s Advocacy Coalition Framework, which also allows for an actor analysis of the EU according to their belonging to a coalition: Namely the coalition representing the EU´s business interests on the one hand and the coalition representing African development concerns on the other hand.

Abbreviations

Advocacy Coalition Framework = ACF

Africa = A.

African Caribbean and Pacific Group of states = ACP

Alde = Alliance of Liberals and Democrats for Europe Party

Communist Party of China = CPC

Corporate Social Responsibility = CSR

Economic Partnership Agreement =EPA

European Investment Bank = EIB

European Commission = EC

European Parliament = EP

European People's Party = EPP

European Union = EU

Europe of Freedom and Democracy Group = EFD

Foreign Direct Investment = FDI

Gross national product = GNP

Human Rights = HR

European United Left - Nordic Green Left = GUE/NGL

Non-Governmental Organization = NGO

Outward Foreign Direct Investment = OFDI

People’s Republic of China = PRC

Progressive Alliance of Socialists and Democrats = S&D

Qualified Majority Voting = QMV

Sub-Saharan Africa =SSA

World Trade Organization = WTO

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1. Introduction

“The great dragon awakens” was the title of an article indicating Chinas global political ambitions as a threat to “Western hegemony” (Trabanco, 2009). The global commodity markets are one of the areas where this struggle can be seen, due to the fact that competition for raw materials is increasing in a way the world has never seen before. (Die Welt, 2013). Whereas the Western countries used to be the main players on the global commodity markets, new powers like China are increasingly engaging in these markets as well in order to meet the need for raw materials which are needed for their emerging economy (Li, 2011).

This increasing competition for raw materials has been classified by the EU politician Karl Heinz-Florenz as a 'much bigger problem' than climate change, due to the fact that many rare metals are the basis for more sophisticated technologies, which again are urgently needed for keeping the European industries and economies alive (EurActiv, 2011). Florenz´s assessment is in accordance with the EC´s strategy paper concerning the acquisition of raw materials of 2008, indicating 41 economically important raw materials, out of which 14 are especially classified as being in “critical” supply (see table 1 in the appendix). The reasons for this are first of all, the growing competition on commodity markets, second of all, the increasingly protectionist measures of countries which have a lot of raw materials and third of all, the lack of any substitutes (European Commission, 2013).

During the last decade China has evolved as the main competitor to the EU, due to its urgent need of raw materials for its rapidly growing economy. That is why the country has invested billions of dollars in resource rich countries in exchange for raw material access and mining holdings. (DG Enterprise and Industry, 2012). Especially in Africa, the Chinese ambitions can be seen very well: Even though the EU has still five times more cumulative investments in Africa than China, the current growth rates of investment flows show a challenging picture: The EU doubled its aid whereas the Chinese seven-folded their aid spending over the last decade (Carmody, 2011) (Baynton-Glen, 2012). Consequently, many European observers are demanding more pro-active steps by the EU to counter the Chinese ”threat” and to make sure that the European industry is protected from running out of resources.

That is why this Bachelor thesis focuses on the raw material strategies of both the EU and China towards Africa and tries to find out whether the EU is actually responding to the Chinese competition and in what way it is doing so?

Note of the author: *The term China in this thesis represents the People’s Republic of China, the term Europe always refers to the European Union, or its predecessor, the European Community, in case it is mentioned in a context before 1993.*

1.1 Aim and research questions

Many scholars believe that the Chinese raw material policies in Africa have a profound impact on European policy makers (Leeb & Dorsey, 2013). Chinese policies are not only perceived as being more successful in terms of getting easier access to raw materials, but they also seem to threaten the raw material supply of EU processing industries which are highly dependent upon foreign deliveries. These deliveries in turn are being threatened by increasing market prices and more competition for scarce resources (Moyo, 2012). The two fundamental questions for the EU in relation to Africa are therefore how China is affecting European raw material policies in Africa and how the EU has responded so far. The main research question will thus be:

1) "In what way has China influenced the EU raw material policy towards Africa since 1990?".

Since however Chinese policies are not the only factor influencing EU raw material policy, a more general sub-question will be answered first to figure other aspects (variables) which have influenced the European Union´s policies:

2) What has been influencing the EU policy making process concerning raw materials in Africa since 1990?"

After having answered the first sub-question a second one is then needed to look at the actual changes in policies over time, which will be:

3) "How have Chinese and EU raw material policies towards Africa developed since 1990?"

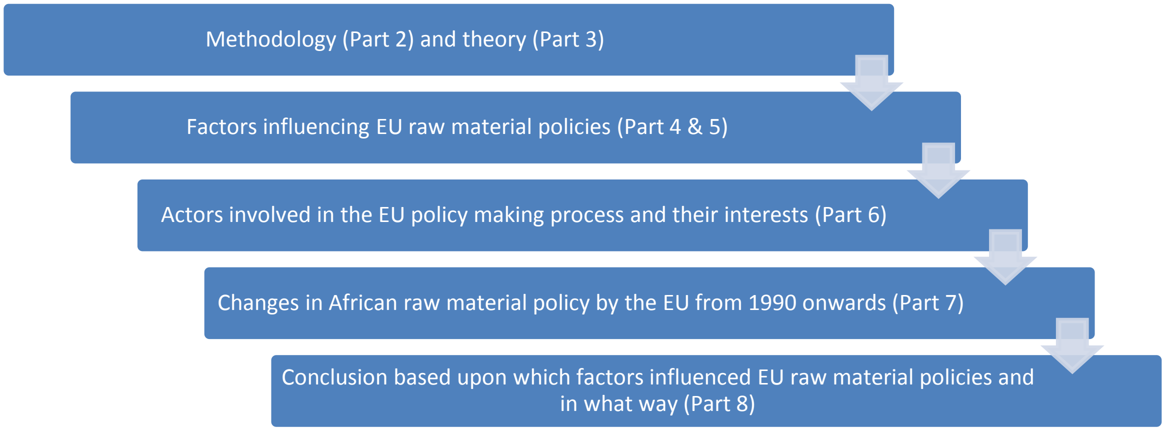
By then putting the two sub-questions together one can figure out which interests have prevailed over others since one can actually contrast the interests with the changes in policies over time. Thereby the influence of China shall be given special consideration for answering the main research question.

1.2 Structure and content of the thesis

The term raw material policies within this theory refers to policies which are aimed at getting easier or cheaper access to raw materials. In particular, this thesis focuses on three main concepts to describe these policies and their changes over time:

1) Foreign Aid: This concept includes the amount of foreign aid for Africa, the conditions attached to it and the aim of this aid. In addition, the thesis will give an explanation on how aid policies contribute to raw material supply.
2) Foreign Direct Investment: This concept includes all private money flows of companies which are being invested into projects linked to the raw material sector (i.e. mining). The thesis looks at how much FDI is being spent, where it is being spent on, to what extent the European and Chinese governments support domestic investors and to what extent this money pays off.
3) Bilateral treaties: This concept describes the EU-African and Sino-African relations. This thesis looks at what has been agreed upon, how that contributes to raw material supply and who benefits in particular.

The structure of the thesis is explained in the following diagram:



2. Methodology and the limitations of the research

2.1 Research design

The research conducted for this paper is a case study on EU raw material policies towards Africa and the possible variables influencing these policies. In the study the EU and China represent the units of analysis, whereas the changes in policies over time and the interests of policy making actors involved (businesses, NGO´s, etc.) will represent the units of observation.

Since the thesis focuses on a time span between 1990 and 2013 a longitudinal design is being used. Due to the fact that the data for the thesis originate from the past and not from an observation in the present the actual study type is a retrospective study. This kind of study tries to explain why something has happened in the past and therefore it is explanatory in its nature. The advantages of this kind of study are that the data are already given and can be collected rather easily by a document analysis or by interviews. The disadvantage on the other hand is the selection of the data which are highly biased, since the author is more or less free to choose or ignore any document that he wishes to (Gerring, 2012). The selection of the data therefore doesn't follow a certain selection method as in an experiment, but it represents a choice of books, journal articles and interviewees which are related to the issue.

A further limitation in this study is the fact that because of the limited space and time China will be the only country next to the EU which is being analyzed. Therefore, the findings don't take other influential countries like the USA, Brazil or India into account. In addition, it is very difficult to create a causal link between events in the past, due to the fact that often a lot of variables are being neglected (Gerring, 2012).

2.2 Methods and data collection

The methods for collecting, organizing and analyzing the data of this thesis are predominantly qualitative ones, since the thesis is about changes in policies over time and the personal perception of who/what has been the cause of that. However, some quantitative data has been collected as well to give an overview of financial resources used by the Europeans and Chinese. The qualitative research in this thesis makes use of several data sources: Document analyses and literature review of policy documents, journal articles, books, and newspaper articles.

The personal bias and subjectivity however is the biggest problem the qualitative data collection has, since it weakens the reliability of a research and can lead to the fact that a different researcher could come to different conclusions on the very same issue. This can mainly be explained by the fact that it is very difficult to conduct qualitative research under similar conditions a second time. However, the research presented in this thesis has made use of several interviews which have been conducted by the author in order to limit the personal bias.

The validity in the qualitative research of this thesis faces less problems (Baarda, 2009). Since the thesis is not trying to measure a phenomenon in detail but rather analyzing changes in long-term policies, the validity of factual statements is very high. That has to do with the fact that the thesis makes use of many original policy documents which can be hardly falsified since they are original law texts or decisions taken by parliaments.

With respect to the quantitative data in the thesis a different problem occurs. Although there are often government statistics about aid and several studies about investments it is particularly difficult to give a valid and reliable picture of the Chinese investment and aid flows, due to the fact that the government doesn’t publish all of its money flows. Therefore, this paper sometimes relies on studies which have often been conducted by non-Chinese researchers. All estimations of Chinese financial data which have not been published by the Chinese government are therefore marked specifically.

2.3 Interviews

Interviews have been conducted in order to get more opinions on the issue from experts working in related fields. Due to the fact that raw material policies concern various areas like diplomacy, humanitarian issues, finance, etc. several experts from these fields have been contacted without a clear sampling method. Some interviews have been made via a phone call, others have been conducted via email exchange. All persons who participated have been mentioned in the appendix, including their professional positions.

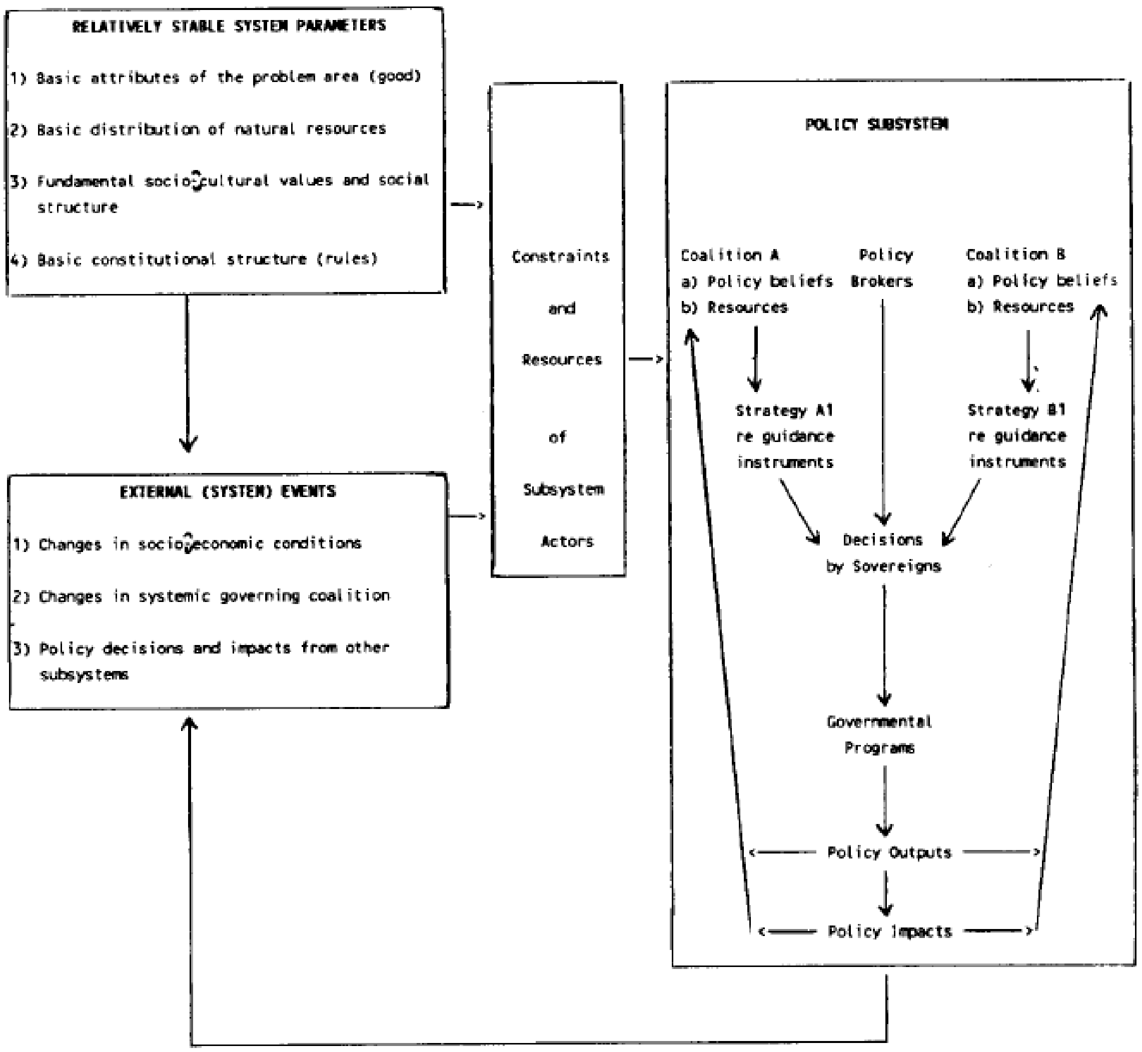
3. Theory

3.1 The Advocacy Coalition Framework

Although political scientists have various theories on the policy-making process, it is commonly acknowledged that policies are basically the outcome of a struggle between various actors with their own interests (Peter, 2011). At the same time, most political scientists agree on the rationality of these actors as well (rational-actor model) (Kitschelt, 1996). However, when it comes to formulating hypotheses on which actor will succeed and why, there is a huge variety of different policy-making theories. Since this thesis focuses on EU policies as the main unit of analysis and treats Chinese policies as an external factor influencing them, it makes sense to not use a single-factor theory, since a valid conclusion has to focus on both the internal actors within the EU and the influences of external entities which are not actively engaged in the EU policy making process, like China. For a valid conclusion a time frame is also very important due to the fact that policies change over time and actors involved in the policy making process are being confronted with new problems which can emerge. As explained in the introduction, the end of the Cold War in 1990 up until 2013 will thus be the time period which will be analyzed.

All these requirements can be found in Sabatier´s (1988) Advocacy Coalition Framework. This theory can be used to explain changes in EU policies over time (at least one decade), treat China as an external factor influencing the EU and has a multilayered structure, which describes many variables of policy changes explicitly. Due to its complexity however, the theory will be slightly modified, since it consists of nine hypotheses, but only three will be used in this thesis (Sabatier, 1988).

The ACF assumes that all factors which are influencing the policy making process can be divided into two categories. “Relatively stable parameters” on the one hand represent all factors which are influencing the policy making process in a “stable” way. This means that these kinds of factors are liable to slight changes over time only. Cultural values of a society or the basic distribution of natural resources are changing very slowly and thus represent an example of that category. On the other hand, unstable factors (so called “external system events”), which can change during the course of a few years, fall under the other category. Changes in the economic conditions, a new governing coalition in the EU or the investment activities of China in Africa can be seen as an example of that. In the following figure the categories are being presented in the model of the ACF (Sabatier, 1988):



Source: Sabatier, 1988

Both the internal and external factors influence the knowledge and thus the position of any actor who is active in the policy making process within the EU. According to the theory, policy changes normally take place when actors become dissatisfied with the Status Quo of a certain policy or when they feel that a certain issue isn´t being addressed by the government at all.

The struggle for this policy change takes place in a so-called "policy subsystem", which is being defined as a "set of actors who are involved in dealing with a policy problem" (Sabatier, 1988, p. 10). A policy subsystem can be seen as a form of theoretical "arena" where actors are negotiating and bargaining for changes in policies.

In order to appear even stronger, actors will form "Advocacy Coalitions" when they have similar opinions on the policy which is being debated. Creating a coalition is a means of a researcher to make an actor analysis in order to understand similar interests among actors and subdivide them into different like-minded coalitions respectively, instead of figuring out all of the different interests of any actor individually. In practice, this could mean that all actors saying "no" to a certain proposal are being put into the same coalition by the researcher. Since there are often 20 or more actors active within a policy subsystem the observation of each and every one over time would be an "exceedingly complex task". (Sabatier, 1988, p.11). Sabatier therefore downsized the actors in that way to 2-4 coalitions (Sabatier, 1988). This thesis will focus on two coalitions with contrary beliefs and opinions, namely the Pro-European Business Coalition versus the Pro-African Development Coalition. This choice has been made since both coalitions represent the two main contrasting positions: Business friendly policies which help EU companies to get easier and cheaper access to raw materials on the one hand, and policies which are aimed at supporting African development and economic growth on the other hand (See part 6 for a detailed analysis).

The shared belief of actors within a coalition is thus the "glue" which sticks them together and according to Sabatier these beliefs will be rather resistant to changes in time (Hypothesis 1) (Sabatier, 1988, p. 13). This assumption is very important, since it rejects both the idea of short-term profits for certain actors and the idea that actors constantly change their belonging to a certain coalition (Sabatier, 1988).

To get a better idea of the shared beliefs within a coalition Sabatier uses a 3-stage belief system. This system explains how important certain beliefs are for a coalition and which position will be more easily given up during the bargaining in a policy subsystem. First of all, an actor has "deep (normative) core beliefs", which are very unlikely to change over time. In practice these can be moral beliefs like the principle to not harm any person physically, the importance of values like freedom, or basic beliefs about distributive justice. The second category is the "near (policy) core", which are fundamental beliefs concerning the realization of the deep core beliefs and which are somewhat more likely to change. In case a person is in favor of social justice, he or she would probably favor a strong welfare state or think that a socialist society works out best. Such beliefs are also difficult to change over time. In theory this happens only if someone experiences serious anomalies concerning the realization of his deep core beliefs (Sabatier, 1988). Finally, the third category consists of all beliefs which are basically subject to most policy negotiations. These "secondary aspects" represent thus the detailed policies which shall change , like the amount of taxes, or the social standards of investments (Sabatier, 1988). In the following picture this model is outlined in detail:

	Deep (normative) core	Near (policy) core	Secondary aspects
Defining characteristics	Fundamental normative and ontological axioms	Fundamental policy positions concerning the basic strategies for achieving normative axioms of deep core.	Instrumental decisions and information searches necessary to implement policy core.
Scope	Part of basic personal philosophy. Applies to all policy areas.	Applies to policy area of interest (and perhaps a few more).	Specific to policy/ subsystem of interest.
Susceptibility to change	Very difficult; akin to a religious conversion.	Difficult, but can occur if experience reveals serious anomalies.	Moderately easy; this is the topic of most administrative and even legislative policy-making

Source Sabatier, 1988

Building upon these beliefs the ACF expects that "a coalition will give up secondary aspects of its belief system before acknowledging weaknesses in the policy core" (Hypothesis 2) (Sabatier, 1988, p. 18). Policy change in a subsystem will therefore occur mainly in secondary beliefs and sometimes in the near policy core, a change in the deep core is very unlikely since it essentially means to change a person's moral belief system.

Finally, change in policies will mainly (not solely) take place after actors and coalitions have gained new insights and new beliefs ("policy-learning"). These new insights normally come from factors outside the policy subsystem which belong to the already explained "external (System) events" category and which are changing relatively fast. Sabatier expects that the core (basic attributes) of a governmental action program is unlikely to be changed in the absence of significant changes in perturbations external to the subsystem (hypothesis 3) (Sabatier, 1988). Concerning the thesis it would mean that Chinese policies in Africa or a new governing coalition in the EU would have more impact on EU raw material policies than the socio-economic Conditions of the EU.

3.2 Criticism of the Advocacy Coalition Framework

Many researchers appreciate the general idea of the ACF, especially when it comes to addressing long lasting policy debates, the role of policy-oriented learning and the fact that it is fairly broad in application. However, the accuracy of the model is still a matter of criticism due to its general nature (Sotirov, 2010). As Weible (2009) pointed out, categories influencing policy changes are sometimes formulated too vague. A change in the governing coalition for example is hard to measure, especially within multi-party bicameral systems where both chambers are not in the hand of one party. This criticism is especially crucial for this thesis, since it deals with the EU and, due to the high amount of interconnected national and supranational institutions it is very hard to clearly identify one party or coalition as the government (See 5.2).

A second problem of the ACF being too broad is the fact that Sabatier doesn't analyze actors in detail but puts them together in coalitions which are acting in accordance with similar core beliefs. Even though Sabatier (1988) sees this coalition building as a necessity to reduce the workload which otherwise would be enormous , critics point out that the coalitions don't necessarily have common beliefs but still favor similar policies. That is why a coalition analysis could be somewhat imprecise in representing the true opinions and beliefs of actors (Olson, 2009).

Another problem of the ACF when it comes to the actual bargaining for policies, is the neglecting of mechanisms behind major changes in policies (Kübler, 2001). Even though the framework puts huge emphasis on the factors influencing the positions of actors involved in the policy-making process it is not clear enough which coalition will prevail in the end. It doesn't put much emphasis on the political resources which each side uses to dominate the policy subsystem, it doesn't explain the strategies each coalition will use, nor does it make use of the institutions within a state which are having an influence on the policy debate as well (Schlager, 1995) (Sotirov, 2010). Some researchers even think that the ACF lacks overall "a theoretical understanding of variations and dynamics within advocacy coalitions" (Olson 2009).

4. Internal Factors influencing EU raw material policies

4.1 Basic attributes of the problem

The EU is highly dependent on other continents for the raw materials it needs for the inner European production and thus the EU is forced to take initiative action (Carmody, 2011). At the same time global demand on commodity markets is strongly increasing as well. However, resource exporting countries are making increasing use of protectionist measures for getting a much better deal out of their exports (Hütz-Adams, 2011). This problem will be analyzed in detail in section 4.2.

The second attribute which will be considered is the way investments in the African raw material sector are being made. Even though FDI is mainly provided by private businesses, the EU supports investments in African mines with humanitarian aid, cheap loans and debt relief (Rotberg, 2008). In section 4.3 the humanitarian rationale behind aid policy is being discussed with the political and social conditions attached to aid programs. Where the Chinese aid goes will be explained in detail in section 5.3 whereas the European approach will be discussed in section 7.

The third attribute of the problem is the extent of European state intervention which is desirable. Whereas the Chinese have a command economy in which the government directly controls the largest corporations, the European market structure is designed to let businesses take their own private investment decisions and take care of their raw material supply themselves (Hütz-Adams, 2011). This European approach however leads to the fact that they cannot combine FDI, loans and humanitarian aid to the extent the Chinese are doing it, which gives them a competitive advantage (Rotberg, 2008). The problem is explained in detail in section 4.4.

4.2 Basic distribution of natural resources.

The EU is highly dependent upon "high-tech" metals such as platinum, cobalt, rare earths, and titanium. In total there are 41 raw materials which the EU has to import from other continents. For 14 raw materials the supply is seen as "critical" (see table 1 in the appendix). The EU itself possesses only 3% of the world´s raw materials. Even though the recycling of raw materials substitutes for about 40% of metal imports and has some potential to be increased, 60% of the metals still need to be imported currently from other places (Euromines, 2013).

The biggest countries and regions which possess these raw materials are Africa, China, South America, Russia and Australia. European businesses have therefore several options to buy the raw materials. When looking at the costs of buying them however one can see clear advantages in long-term contracts with African countries. During the last years emerging economies have pursued an industry policy which is aimed at protecting national resources from foreign countries and using them primarily for their own downstream economies. One example indicating the trend is China´s export quota of rare earth, which lead to a decrease of raw material exports from roughly 65.000 tons in 2005 to about 30.000 tons in 2011 even though the world demand increased (Long & Gosen, 2012). Since the country currently produces about 95% of the world's rare earths it can do two things with that strategy: Increase the market prices on the one hand and force foreign producers to build new factories within China, because within China these companies have unlimited supply of rare earths. (Long & Gosen, 2012).

Similar policies have been adopted in other countries which are rich in resource, too. Not only do countries put export duties on raw materials, like Argentina's export duties on raw materials which are often higher than the sales prices of the processed product (United States Trade Representative, 2013) but other countries like Chile impose taxes on the operating income of copper mines (Korinek & Kim 2013) In 2010, the countries imposing the largest number of trade restricting or additional taxation are as follows: Argentinia (888), Ukraine (80), China (40), Russia (39), South Africa (30), Kazakhstan (27) and Algeria (25). (Ramdoo, 2011)

In contrast to these emerging powers however, Africa follows a different strategy. Although the continent possesses 30% of the world's reserves of metals and produces over 60 different kinds of metal, Africa´s share of the global metal market is currently less than 5 %, which means that there is a huge potential in relation to its raw material reserves (See table 7 in the appendix) (Weber, 2011). In addition to that, African countries don't need the natural resources as much for their own economies as the developing powers do, simply because Africa has a very small processing industry. As a matter of fact, less than one third of African exports to Europe consist of processed or manufactured products and in the case of China it is even less than 10% (Ramdoo, 2011). As a matter of fact African countries support tax incentives for foreign investors, which ultimately lowers the costs of raw material exports in contrast to the more protectionist becoming emerging economies (Korinek & Kim 2010) (Tax Justice Network-Africa, 2012).

It thus seems that Africa will play a more important role for global raw material supply thanks to the increasing attractiveness of the continent and the fact that African countries are more willing to sell their raw materials, unlike the growing economies (Leeb & Dorsey , 2013). By taking a look at the latest investment figures this slowly starting trend can be seen very well. Whereas the world´s GDP grew by 4.2% between 2000 and 2009, African growth reached 5.2% (Business & Economy, 2011). In addition it has become the third biggest growth region in the world (VC4A, 2011). As a matter of fact this growth attracted more FDI to Africa, which grew by 400% between 2000 and 2010 (VC4A, 2011). Whereas inward FDI to Africa represented only 0,2% of the global FDFI flows in 1980, it grew up to 4.1% in 2008, proving this global trend (See table 3 in the appendix) (VC4A, 2011).

4.3 Fundamental cultural values of the EU and its aid policy

The European Union has been built upon the notions of liberty, democracy, the rule of law and the respect of human rights (European Commission, 2006). Officially, these normative guidelines have become part of the EU´s foreign policy in the Maastricht Treaty of 1992 and were intended to represent a reversion of the power politics that characterized the international landscape during the Cold War era (Holslag, 2010). Additionally, these norms have been highlighted in the European Security Strategy of 2003, in the sense that the EU should play a pro-active role in spreading good governance, tackle corruption and establish a rule of law in any part of the world (Holslag, 2010).

This transformation from an old power to a “postmodern” value based power can actually be observed by the growing public support for European humanitarian aid. Even though aid has never been a main concern of the European public in the 1990s, a survey found that in 1996 82% of Europeans (EU-15) found humanitarian aid to be an “important goal” and 60% were in favor of an increased aid spending by the EU (Olsen, 2000). This support went to a high in 2006 when 88% of Europeans supported higher aid spending (EU-25) which decreased to 79% in 2011, due to the economic crisis (Eurostat, 2010). At the same time however, EU aid dropped in 1990 from an average of 0,43% of the combined Gross National Product to 0,32% of GNP in 2000 but climbed up again to 0,44% of GNP in 2010 (European Commission, 2009) (Europolitics, 2012a) (See part 7. for more details).

In addition to the amount of humanitarian aid however the before mentioned norms have become legal conditions attached to the aid. Those conditions were established and expanded during the 1990s. From 1995 onwards, the EU demanded a humanitarian rights clause in all agreements with third countries, which allowed the EU to reduce or suspend aid if the other country has violated humanitarian or democratic rights (Versluys, 2007). Later this right was expended under the name of the “Good Governance” principle, which is in accordance with the Maastricht treaty in that it is about promoting human rights, the processes of democratization, transparency and the consolidation of the rule of law and sees reforms in these areas as a prerequisite for any country asking for humanitarian aid (“positive conditionality”) (Lirong, 2011). As a matter of fact the EU has suspended aid several times, for example in the Central African Republic or Zimbabwe (Africa Times News, 2013). Sometimes the EU has even used embargos for certain economic activities, as for example for the Sudan (Convington, 2011). This policy however has its negative effects on European businesses as well, since they are often discouraged to invest in natural resources or help building infrastructure (Leeb & Dorsey, 2013). Some critics say that this policy makes it easier for China to gain access in the African market since their companies, which are often state owned, aren't subjected to these kinds of embargos (Heinrich Böll Stiftung, 2007). Since the Chinese follow a "no strings attached" aid and investment policy, they treat African countries solely as business partners and have no intention to foster human rights or certain types of political rights (Chileshe, 2010) (In detail this policy is explained in part 5.3).

It is noteworthy that apart from the EU institutions several agreements have been made by NGO´s and businesses in the early 2000s, due to the establishment of the Equator Principles. Thanks to public pressure in Western countries 79 banks worldwide (Including 33 European banks) have adopted this set of voluntary social and environmental standards for all projects which are being financed by these banks above $10m (Equator Principles, 2013). Thus the Equator Principles apply to any mine or infrastructure project which is being built in Africa as well. As a matter of fact in 2012 about 71% of all projects above $10m in developing countries have been covered by the Equator Principles (Natural Research Center, 2012). However, apart from the social aspect of the initiative these principles give China another business advantage, due to the fact that in Europe most banks have adopted these principles, whereas only one Chinese bank has done so yet (Equator Principles, 2013). Even though critics still point out that the principles don't go far enough and don't be applied to the full extent yet, many lenders have already been forced to increase the social conditions of workers and the environmental standards of a project. Additionally, the need for CSR has become more important in the public perception and gets more emphasizes in the agenda of the banks (Balch 2012).

4.4 Basic legal structure of the EU´s and PRC´s aid and investment regimes

The European Union´s legal structure is built upon several treaties written and agreed upon by its member states which ultimately give the EU its powers (European Commission, 2013). From the year 1990 to 2013 several treaties changed the legal structure of the EU with a clear trend towards more supranationality, meaning the EU can increasingly implement policies which are binding for any member state, sometimes even against the vote of some of them.

The Treaty of Maastricht in 1992 not only established the European Union out of the European Community but it marked also the beginning of a deeper European humanitarian aid coordination with the establishment of the humanitarian aid department of the European Commission, due to the fact that in the decades before the European Community only used some aid funds which weren´t coordinated that well (Menocal, 2008). Just five years later in 1997 the Treaty of Amsterdam laid down principles for the EU´s foreign policy (See section 4.3) and established a high representative for this field. From that time onwards the EU could increasingly participate in global trade negotiations on behalf of the member states, without them being present in the negotiations (Menocal, 2008). This competence has been further strengthened in the Treaty of Lisbon in 2009 which gave the EU exclusive rights to regulate all aspects of FDI (Gregow, 2013). The Lisbon treaty also included for the very first time humanitarian assistance as a specific Commission competence and created a clear EU aid budget which has been separated from national budgets (Eurostep, 2013).

In China the legal structure concerning FDI changed slightly over the last two decades towards less control of the government. Until 1990 all outward FDI was strictly controlled by the government and all profits had to be returned to China. From 1991 these policies changed towards more freedom of companies to choose the aim of the investment and from 2000 on China has been actively supporting and encouraging certain FDI flows with specific policies (See part 5.3). It should be noted however that the Chinese government controls 98 out of the 100 largest Chinese companies and also controls the four largest commercial banks which are the main source of outward FDI (Li, 2012). On the whole one can thus see a somewhat more decentralized approach of investment, however the government still has the ultimate control of FDI. Concerning the humanitarian aid, the government is also in total control just like the EU government has an own aid budget to decide about (Strange, 2012).

By comparing the legal structures of the EU and the PRC one can see that the EU is far better in respecting the interests of the companies when it comes to FDI, due its market economy. Because of its structure however it is relatively hard to combine aid and FDI interests. China in contrast uses its companies and its aid to serve the overall state interests, due to the fact that the ultimate power lies almost completely in the hands of the government. As Schmitt pointed out, this difference gives the Chinese also an advantage in terms of speed. The EU´s legal structure still requires too many institutions to agree upon aid and FDI regulations meanwhile the Chinese authorities can decide much more quickly due to their authoritarian style (Heinrich Böll Stiftung, 2007).

5. External Factors

5.1 Changes in the EU and Chinese socio-economic conditions

The socio-economic conditions with respect to European and Chinese raw material policies are about the internal social conditions of a society and its relation with the policies of the respective government. By comparing both Europe and China the most obvious difference is that EU member states are market oriented democracies whereas China is a single-party socialist state (Li, 2011). All EU states have evolved to democratic systems up until the early 1990s and China in contrast has evolved to a one-party state since the end of the Chinese revolution in 1952. Although the PRC has regular elections, critics say that in reality only members of the CPC, allied parties or sympathizing independent candidates get elected above the local level (Li, 2011).

With respect to the wealth of both entities one can see huge differences. Whereas the GDP per capita of the EU was US$32,999 in 2012, the Chinese had a GDP per capita of US$ 6,076 respectively. It is however important to understand that there is a huge internal difference in the wealth of both Chinese and EU citizens depending on the region and country people are living in: With regard to China the highest monthly net income of ¥4,672 is in the Beijing region, whereas Gansu province had the lowest net income of ¥2,742 respectively (China Daily, 2012). In the EU on the other hand, Northern and

Western member states enjoy a far higher standard of living than the Eastern and Southern states. The biggest gap in monthly net income for example ranged from €4,230 in Luxembourg to €414 in Bulgaria (OECD, 2013a).

By having a closer look at China one can see a huge change in the socio-economic conditions in the last decades. Deng Xiaoping opened up the country to global markets in the late seventies, whereas the Chinese followed mainly an isolated policy under Mao and the decades before (Caceres, 2013). Under Xiaoping China steadily adopted more and more elements of a free market economy. Consequently, Xiaoping formed the new motto of the country "To get rich is glorious". His reforms caused an economic boom in the country. While the average annual GDP growth of China had been 5.3% from 1960-1978, the growth rates rose after the reforms to a record high of 14.2% in 2007 (Sedghi, 2013). In 2012, this rate decreased due to the economic crisis but still reached 7,5% (Sedghi, 2013). In contrast the EU-27 never had an annual GDP growth rate higher than 3.3% in the last ten years (Eurostat, 2013b).

The economic benefits of China´s booming economy however come at the cost of a growing inequality in China, something that the communist paradigm actually wants to abolish (Gutherie, 2012). According to an estimated Gini index of inequality[1] the Chinese population experienced a massive increase of inequality from the 1980s onwards and increased its Gini coefficient from 0,27 to 0,61 (Lee, 2012)[2]. In contrast only South-Africa had a higher score in 2011, and the EU-27 had a score of 30,7 (Eurostat, 2013a). According to various researchers the increase of living standards for everyone has thus become the main focus of the CPC, even if that means having less social and environmental regulations (Gutherie, 2012). Today the legitimacy of the party is largely based upon the ability to ensure a continuation of huge economic growth and that is the main paradigm of Chinese foreign business relations as well (Stahl, 2011).

The European Union on the other hand, has, because of its relatively rich and free inhabitants, different socio-economic conditions and different political preferences when it comes to raw material policies. Whereas the Chinese government is an authoritarian government which lets its citizens participate only in a very limited way, the EU on the other hand does not only consist of inhabitants which have a free vote in democratic elections, it also consists of national parliaments which, together with three supranational institutions (Council, Commission, EP) are in charge of the policy-making process in the EU (Leeb & Dorsey, 2013). Therefore this high number of institutions and the democratic accountability of each and any politician, make uni-dimensional policies in the area of raw material policies (i.e. purely business oriented policies) very unlikely, however not utterly impossible.

[1] The Gini coefficient is a measure of statistical dispersion within a country which measures the inequality among values of a frequency distribution (I.e. level of income); a value of 0 represents total equality, a 1 represents total inequality (Lee, 2012).
[2] Note: The Chinese government refused to publish its Gini index, the data represent a study of the "Economist" (Lee, 2012).

On an individual basis of each and any citizen of each entity one can see this difference too by using Maslow's hierarchy of needs[3] to contrast the importance of needs and motivations of the respective citizens: According to this model most Chinese citizens belong mainly to the first (physiological) or second (safety) category, which means that nutrition, income and safety are still the main concerns of most Chinese people, which explains why economic growth is of such high importance to them. (Detzer, 2008). Most Europeans on the other hand have reached a higher level on the scale due to the fact that basic needs are mainly satisfied and don´t seem to be threatened. That is why especially central and Western Europeans are mainly in the fourth (esteem) or fifth category (self-actualization), meaning that their basic needs are meet in such a secure way that they have the capacity to take more care of other people, i.e. by being able to donate more money or have the possibility to set higher social standards for workers (Council of Europe, 2012).

5.2 Changes in systemic governing coalitions: The political party system of the EU and the parties´ interests

The government structure of the EU has undergone no significant change during the last two decades. The European Commission proposes bills and the Council of the EU has to vote on them together with the European Parliament. In some cases however the rights of the Parliament are rather limited. In the area of foreign and security policy for example the EP is not allowed to vote on proposals (Juristischer Informationsdienst, 2013). The fact that three institutions are involved in the policy making process makes it hard to tell which party is actually in charge of governing, however the party affiliation of the politicians gives evidence for some ideological trends.

The European Commission currently consists of one commissioner per member state who is directly appointed by the national government he or she represents. Since 1990 three groups of commissioners dominate the Commission which can be seen as affiliated politicians to the three biggest groups in the EP as well, namely the center-left S&D party, the liberal-center party ALDE and the center-right EPP. whereas in the 1990s the biggest group of commissioners were the S&D , one can see a trend towards a more conservative Commission from 2004 onwards, with the EPP now representing the biggest commissioner group (See table 6 in appendix for the Commissioners party affiliation over time).

The European Parliament in contrast consists of directly elected politicians on a national base who form a coalition on the European level. Between 1990 and 2013 the biggest two parties have always been the S&D party together with the EPP. Before the 1999 election the former group became the biggest, after 1999 the latter one, which corresponds with the EC´s trend of becoming somewhat more conservative

[3] Maslow's hierarchy of needs is a socio-psychological model explaining the needs and motivations of humans according to their importance with a hierarchical structure model which ranges from very simple physiological needs at the bottom to self-actualization at the top. Whenever a certain need level of an individual is being satisfied, the next one above it becomes automatically the most important one for this person. A model of the levels can be seen in the appendix, in table 8 (Detzer, 2008).

during the last 20 years. In addition, the far left achieved in the same period results between 5-10%, the left Green party 3-8% and the Eurosceptic EFD 4-9% (See table 5 in the appendix for election results).

The European Council has a party affiliation similar to the Commission, since the Commissioners traditionally come from the biggest governing party in a country which also represent the Council in most of the cases (Council of the European Union, 2013). In 2013, the majority of ministers were affiliated with the EPP. S&D affiliated Commissioners represented the second largest group before the ALDE. Before 1998 however a completely different picture could be seen, due to the fact that most of the European governments were S&D affiliated parties, the Council consisted also of a S&D majority. In the 2000s however the EPP affiliated Council members had the majority, which is line with the general trend mentioned before (European Commission, 2013).

The latest European Raw Material Strategy (See part 7 for a detailed explanation of the content) has been adopted by all three major parties, the EPP, the S&D, the ALDE including the Greens and the Eurosceptic EFD (European Parliament, 2011). By taking a closer look at the parties´ positions a general trend can be observed: The more left wing a party is, the higher is the concern for the African development. If the party is more right wing, it is more business friendly: The far left GUE/NGL voted against the raw material draft on the basis that it would exploit African states (Freie-Radios, 2011) and that it would only take the interests of big business into account (Corporate Europe Observatory, 2011). In particular the GUE/NGL party criticized the free trade approach, namely to bring African states to get rid of any export duties on raw materials and the lack of responsibility and liability of European companies being active in African resource exploitation (Corporate Europe Observatory, 2011) (See a more detailed position in part 6). The more moderate Green Party basically supported the Raw Material Strategy, however demanded both a stricter application of European investment standards and a more rigorous approach in making sure that foreign states benefit more from EU raw material investments, i.e. the party opposed the financing of the Oyu Tolgoi copper mine by the EIB, due to the fact that the project is not in line with European social standards, had bad working conditions and rather low salaries (Fair Politics, 2013). The more centrist S&D and EPP supported the draft but emphasized the social aspects of the contracts as well, however critics pointed out that some EPP politicians who co-wrote the draft are personally affiliated with extracting businesses (Corporate European Observatory, 2013). The far right wing and Eurosceptic EFD supported the draft on the basis that it would help European businesses. Despite that fact the party opposed further European integration on issues like humanitarian aid coordination or a more coordinated foreign trade and investment diplomacy, in addition some members of the EFD supported lower aid spending for foreign countries (European Parliament, 2011).

5.3 Policy decisions and impacts from other subsystems: Chinese Raw Material policy towards Africa from 1990-2013

Although China was already active in Africa during the Cold War, the relationship was mainly dominated by an attempt to spread the communist ideology in Africa since there wasn't much to gain from mutual trade at that time (Visser, 2009). After the Cold War however, the relationship changed profoundly from the idea of an ideological partnership to a purely pragmatic and business oriented approach towards Africa, whereas the Western countries began an “out of Africa period” by decreasing their aid spending and lowering down their overall import of natural resources (Strategic Studies Institute, 2012). In the following years the Chinese increased their investments in Africa in a breathtaking way because they urgently needed natural resources for the booming economy in the PRC (Ramdoo, 2011). This dramatic change can be seen by the fact that the Chinese FDI coming to Africa grew seven-fold between 2004 to 2011 at an average rate of 115% annually (Baynton-Glen, 2012) and which was about US$3.5b in the year 2011 (Eurostat, 2011). EU-27 FDI to Africa on the other hand roughly doubled at the same time period to US$21.3b being invested in 2011. In order to put that into perspective: The cumulative FDI of China in Africa is about US$20b (Nijni, 2013) whereas the EU has still a huge lead with over US$100b (about 80% of that sum is from France and the UK alone) (UN Conference on Trade and development, 2013). However the Chinese are still increasing their FDI in such a fast way that it is estimated that their cumulative FDI fore example will surpass the US FDI to Africa in 2022 (about US$50b cumulative) (Van Den Bulcke, 2012) whereas the EU FDI dropped by 9% during the economic crisis between 2009-2011 (Eurostat, 2011). In addition to that experts say that Chinese FDI is probably much higher, since the published figures ignore certain cash flows like flows which have been invested via Hong Kong, or via private Chinese companies (Shinn, 2013).

The basis for these huge investment increases were made in the 1990s when the Chinese started to rethink their traditional Africa policy and initiated the China-Africa Cooperation (FOCAC) in 2000 (Wu, 2010). This cooperation attracted leaders from 42 African countries which have regularly meet from that time onwards and promoted Sino-African economic relations (Brown, 2009). In the following years further meetings have been held to lower down FDI restrictions and to improve the efficiency of Chinese aid towards Africa. All agreements followed a different approach from those of the Western countries. The journalist Joshua Cooper Ramo (2004) coined the term “Beijing Consensus” as a counter idea of the “Washington Consensus” which described the framework for economic relations with developing countries, and which strongly demand market-friendly policies promoted by the IMF, World Bank and the U.S. Treasury (Emmanuel, 2007).

The Beijing Consensus must be seen as China`s attempt not to be perceived by Africans as a superpower which dictates countries how to run their governments, something the Western countries have often done. Instead, they want to be seen as partners on a level playing field with a shared history of having been victims of Western imperialism in the past (Heinrich Böll Stiftung, 2007). However, the main motivation of main motivation of this relation is to open up African markets for Chinese investment, particularly in the raw material sector (Ramdoo, 2011). By analyzing China´s policies in detail it is crucial to understand that humanitarian aid, loans, and FDI for

Box A

A very good example of the Chinese investment strategy can be observed in the Democratic Republic of the Congo, where the Congolese government reached a resources-for-infrastructure agreement of US$9b with China back in 2009. Two thirds of the money was devoted to infrastructure projects like rails, roads and hospitals and one third went directly into mining operations, out of which 68% are now being owned by Sicomines, a consortium of Chinese companies (Hütz-Adams, 2011) the raw material sector cannot be seen as independent from each other as it can be in Europe, instead they are far more interdependent (Leeb & Dorsey, 2013). As explained in section 4.4 China has a command economy which combines the needs of the state with the interests of the businesses (Thompson, 2005). Humanitarian aid doesn't follow a "Good Governance" approach like the Western countries promote, but it is seen as a means to make business. That is why the Chinese government acts in accordance with the raw material needs of its businesses and offers cheap loans and government aid as an incentive to allow FDI in the African mining sector. One example is explained in detail in Box A (More examples are in table 3 the appendix).

China has actively taken various policy steps to foster this kind of raw material deals. In 1995 the Chinese introduced concessional loans for Africa which became increasingly popular among African states, because these loans had an interest rate of about 1.5% to 3% below the benchmark of the People's Bank of China (Alves, 2013)) and were made available relatively quickly and easily (Lum, 2009). By 2005 China had spent about US$800m in concessional loans for 55 African projects (Broadman, 2006), in 2011 the amount rose to US$1.5b for 87 African projects. (State Council, 2011). One of the major reasons for the attractiveness of these kinds of loans is the fact that there were no social or environmental conditions attached to the recipients and more importantly no political conditions ("unconditionally"), meaning recipients were not forced to take any action in tackling corruption, improving transparency or initiating democratic reforms. The only political demand attached to these loans was the recognition of the PRC´s One-China policy (meaning that Taiwan is part of the PRC). The only business requirement was the fact that African recipients had to agree upon using 50% of the construction projects´ materials and services to be sourced in the PRC (Lum, 2009). It is actually estimated that in 2013 there are about one million Chinese workers in Africa (Reuters, 2013), which however leads to an increasing resentment among both sides: In Algeria for example, local workers clashed violently with Chinese workers whom they accused of steeling Algerian jobs (BBC News, 2009). In Equatorial Guinea on the other hand, two Chinese workers have been killed and about 400 have been sent home after the Guinean police violently dissolved a Chinese protest on a labor dispute (China Daily, 2008) (Communicating Labor Rights, 2008).

In 2000 Beijing launched a further major concession with a debt relief program for African states worth US$2.79b by cancelling not refunded debts to China (State Council, 2011). By looking at the actual trade and investment figures between both sides the increasing importance of Sino-African relations is becoming obvious. Whereas the Chinese share of FDI coming to SSA countries was less than 1% between 1990 and 2001, it accounted for over 16% in 2011 (Sandrey, 2013). In real numbers the Chinese roughly paid an amount of US$260m as humanitarian aid in 1990 (Rotberg, 2008) and had an FDI of US$245m in Africa (Hinds, 2012). In 2012 China spent more than US$1.84b on humanitarian aid (Danlu, 2013) and about US$14.7b as FDI (Shinn, 2013). The purpose for these investments is in most cases raw materials, due to the fact that for its tremendous economic growth there is a huge "appetite" for raw materials which already had huge influences on the world demand and supply (Ramdoo, 2011). As a matter of fact over 90% of the total exports from Africa to China consisted of raw materials and mineral fuels in 2011 (EU 61%) (Ramdoo, 2011).

The African perception of Chinese aid seems to be diverse: One the one hand many African states appreciate the fact that the Chinese appear as equal partners who aren't interested in teaching them how to run the country (Heinrich Böll Stiftung, 2007). In addition, Chinese infrastructure projects, provide short-term benefits which are far more visible to the public than European projects, which are mostly aimed at improving the government structure. Due to lower Chinese standards these projects are also cheaper to build and can often be constructed much faster (Lum, 2009). The lack of social and environmental standards however is the main criticism many African governments have in relation to African investments (Ramdoo, 2011). In addition some African governments fear that their countries will experience the "Dutch Disease"[4] which could cause long-term problems due to the fact that the continents exports to China consist of about 50% more raw materials than exports to the EU (Zavar, 2007).

6. Advocacy Coalitions in the EU raw material policy – the policy subsystem:

In the following the two advocacy coalitions which are both trying to influence the EU policy-making process will be represented. First, the beliefs and positions of the Pro-European Business coalition is explained, after that the beliefs of the Pro-African development coalition. As shown in part 3 the beliefs and positions are stated according to Sabatier's (1988) belief system model.[5]

Pro-European Business coalition:

Members: Mining/extractive companies, Banks active in African project finance, Processing businesses depending on raw materials

1) Deep (normative) core	2) Near (policy) core	3) Secondary Aspects (concrete policy proposals of near core)
Most important value: Freedom	**Free market economy + free trade area with Africa (OECD, 2013a)**	**-free trade agreements with African states (OECD, 2013a) - better investor protection in African states (OECD, 2013a) -no/less export duties on**

[4] The "Dutch Disease" is the paradox that resource rich countries which are mainly exporting these resources are causing negative effects on the competitiveness of the country's other exports. Due to the high rate of resource exports the currency of a country increases its value and thus increases the prices for other goods which are thus becoming less competitive (Zavar, 2007).

[5] Note: The opinions and beliefs of both coalitions represent actual opinions which have been expressed in various publications by either side. Beliefs which are not marked with a reference have been written by the author himself and represent the underlying attitudes behind the actual opinions which have been expressed by both coalitions. Formulating core beliefs has been made in order to bring the belief systems of each coalition in line with the Advocacy Coalition Framework (See part 3.1).

		African raw materials (OECD, 2013a)
Corporations are basically good	**Wellbeing of businesses (smooth supply of raw materials) critical for economic wellbeing of society (Hilpert, 2013)**	**-European extracting companies shouldn't be overregulated in order to stay competitive (i.e. no duty publishing money flows of E. businesses which goes to A. local, regional, or national governments, as the Commission intended) (Hilpert, 2013)**
	Higher regulatory burden means less competitiveness of E. businesses on global markets	**-CSR shall be a voluntary commitment of companies (Hilpert, 2013)**
	Raw material strategy should be established as European competence rather than one of the member states (Hilpert, 2013)	
Violence legitimate as a very last option (Der Spiegel, 2012)	**Use of military as last option legitimate in case raw material supply is threatened**	**-I.e. support of operation Atlanta in Somalia (Der Spiegel, 2012)**

Pro-African development coalition

Members: NGO´s active in African development, lobby control groups (i.e. Corporate Europe Observatory), policy consultants active in Africa

1)Deep (normative) core	2) Near (policy) core	3) Secondary Aspects (concrete policy proposals of near core)
Most important value: Social justice (distributive justice)	**Strongly regulated market economy + protectionist A. states (Groth, 2007)**	**-no free trade agreement of A. states with EU** **-(Higher) export taxes of African states on raw materials** **-foreign companies must be treated as domestic companies within African states (Groth, 2007)**
Corporations are basically not concerned about ethics	**Social rights and wellbeing of all Africans more important than E. business interests**	**-EU must make CSR mandatory + held companies violating HR in A. liable (Curtis, 2010)** **-EU should stop demanding**

		lower tax incentives, tariffs or profit rates which can be repatriotised since A. states often get a bad deal (See Box B) (Gregow, 2013)
	European business must become (more) transparent organizations (Bielfeld, 2013)	-E. business must be required to publish all profits and payments concerning A. (Bielfeld, 2013) -E. extracting companies in A. must publish all of their spending to A. local, regional, and national governments (Hilpert, 2013)
	Critical attitude towards privatization (Fluter, 2012)	-A. governments should have a higher share as owner of mining projects (Gregow, 2013)
Violence never legitimate (Europe Solidaire, 2013)	Use of military never legitimate	-I.e. opposition towards military intervention in Mali (Europe Solidaire, 2013)
Welfare of everyone is of equal importance	Humanitarian aid must be more regulated on EU level + increasing amounts must be paid	-Increase aid given by EU and member states (NGO voice, 2012) -HA must become independent budget line, so that it cannot be used as a tool for geopolitical interests (NGO voice, 2012)
	Civil society must be educated about the actions of corporations + mobilized for demonstrations (Gregow, 2013)	-Public awareness must be raised for Africa's needs (Gregow, 2013)

7. EU raw material policies towards Africa from 1990-2013

Historically seen Europe has had strong political and economic ties with Africa throughout the entire 20th century (Ramdoo, 2011). Since Africa is rich in mineral resources Europeans have always been very interested in keeping and fostering economic exchange. Up until the 1960s however most African countries were colonies of European powers and were therefore constantly exploited, often with devastating effects for the countries and the lives of their inhabitants (Brown, 2009). Despite this darker chapter in European-African relations, the relations remained strong due to several treaties signed in later years and economic exchange even increased (Brown, 2009). The access to African raw materials has thereby always played an important role for Europeans, but it hasn’t been part of an overall raw material strategy up until 2008, when the Commission published for the first time a strategy paper named “European Raw Materials Initiative”, which indicated the increasing importance of raw materials and increasing global supply threats (Ramdoo, 2011). The strategy especially remarkable in the light of the EU´s self-understanding that private businesses are primarily responsible for their own raw material supply (Bayerisches Staatsministerium für Wirtschaft, Infrastruktur, Verkehr und Technologie, 2013).

In general the political relations between Africa and the EU can be subdivided into two categories: The EU-North Africa relations on the one hand and the EU-SSA relations on the other hand. The most important agreements with North African states have been the Euro-Mediterranean Partnership in 1995 the EU Mediterranean Agreement in 2000 and a revised agreement with the European Neighborhood Policy launched in 2004 (Woolcock, 2007). The main agreements with the SSA countries have been the Cotono Agreement of 2000 (for ACP countries) which replaced the agreement of the Lomé Convention of 1975 intended to bind former European colonies closer to the continent (Carmody, 2011). Even though raw materials aren’t mentioned explicitly in the agreements very often, experts say that the EU tries to get easier and cheaper access to raw materials by the means of lowering down African trade restrictions, which is a major issue in the agreements. In return the EU offered cheaper tariffs for most African products which are being sold on the European market (Gregow, 2013).

In particular, the EU follows the strategy of opening up markets in Africa and lowering financial restrictions on the country’s exports (Woolcock, 2007. With this strategy the EU is aiming at decreasing the export costs of raw materials, improving the convergence with EU standards and giving investors more secure market access (Wolcock, 2013).

Since the political ties with North Africa are stronger, negotiations of establishing a deep and comprehensive free trade area with several north African countries are matter of currently ongoing negotiations (Gregow, 2013). In contrast, SSA has been involved in negotiations with the EU about the Economic Partnership Agreement (EPA) since 2002 and a first version has been signed in 2008. However, one of the main obstacles for coming to a fully satisfying result for the Europeans is the question of export restrictions which the EU argues would harm African development and should be eliminated (Ramdoo, 2011). Since however the disagreement on export restrictions couldn’t be settled, due to the fact that many researchers believe that removing them would be harmful to African countries (Khor, 2010) the EU tried a different path via the WTO in 2006. It proposed the ban of the use of export taxes via the WTO, with exceptions only for developing countries and only for a “limited number of products under specific circumstances” (Gregow, 2013, p. 35). The proposal however has also been rejected by the African countries therefore the matter is still pending.

The investment policy and all regulations concerning investments in Africa are also matter of ongoing negotiations. The EU investment policy is thereby focusing on several goals: A clear, stable and fair regulatory environment which gives European investors the same rights and duties as the investors of the African countries (Ramdoo, 2011). One major achievement hereby has been the first EPA Agreement in 2008 which guarantees European Investors the right to repatriate all profits and proceeds from liquidating investments.

Overall these measures help European investors to improve their competitive position, although the Europeans do not have a policy framework of encouraging European FDI towards African raw materials as the Chinese do. Nevertheless, the EU fosters investments in raw materials via the EIB, the African Development Fund and its aid policy.

Together with its member states the EU has always been among the top donors of humanitarian aid towards Africa. In 1990 the EU-15 accounted for 50% of the total aid received in SSA and 70% for the total aid in North Africa (Olsen, 1998), which was about €7b in 1990. In the 1990s the amount felt from 66.3% of the EU´s total aid share in 1989/90 to 42.8% in 1996/97 (Olsen, 1998) however, due to an overall aid spending increase, the total amount of aid grew to €15b in 2003, accounting for 60% of aid coming to the entire African continent (European Commission, 2005). By 2011 the amount grew even further to US$31.4b (about €24.1b) and represented still the majority of aid coming to Africa (OECD, 2013c).

By taking a closer look at the rationale behind aid many researchers suggested that the threat of the Soviet Union has been the main reason for providing African aid, as a means to "buy" the African support for the NATO, at least up until 1990 (Cumming 2005). Even though the decreased aid spending in the early 1990s would support this assumption, the fact that the "good governance principle" (see part 4.3) has been introduced in 1991 (Hout, 2010) and the fact that the purpose of the aid remained basically the same proves that actual humanitarian concerns were an increasingly strong motivation for giving aid, if not the most important one (Cumming, 2005). The fact that public support for aid and the awareness for social responsibility grew during the 1990s underlines this trend (See part 4.3) (Anheier, 2002). In 2003

Box B:

One good example of how the EU finances raw material projects and negotiates for easier market access can be observed in Mozambique where the EIB financed aluminum mines and smelters worth US$2.2b. Half of the costs have been paid by governmental organizations such as the EIB or the Commonwealth Development Corporation. The other half came from private equity investors, among them the British-Australian BHP Billiton mining company which had the biggest share of all private companies. The government of Mozambique earns 4% of the total project. (European investment Bank, 2001) (Tran, 2013).

After several rounds of negotiations the Mozambique government exempted taxes on profit and VAT, demanding only a 1% turnover tax, which clearly is business friendly and attractive to foreign investors. (Tran, 2013).

The positive effects for the Mozambique government have been the creation of thousands of jobs including suppliers (approximately 93% of the employees are from Mozambique) and a boost for the economy. According to the World Bank (2007) the project has been a positive contribution to Mozambique's economy, since it has added more than 7% to the country's GDP. Critics like the Tax Justice Network (2013) however found out, that governments, investors and development banks have all received annually an average of $320m, whereas the Mozambique's government only earned $15m a year. This means that for every $1 paid to the Mozambique government foreign investors received $21 as profit or interest payment. (Tran, 2013) however a significant change emerged, when the EU adopted a new security framework, which declared security as a “first condition for development” (Woods, 2005). From that point onwards aid has increasingly been allocated in correspondence with the security needs of the European Union (“Fight against Terrorism”), and the increasing use of suspending aid was meant as a new incentive for states to improve their democratic and security structures (Woods, 2005). Both governmental and non-governmental agencies criticized this path increasingly (Cumming, 2005). These concerns grew even further with the establishment of the “Africa Infrastructure Trust Fund” in 2007 (Infrastructure Trust Fund, 2013). The budget of approximately €372m in 2009 (Europa, 2010) was aimed at projects which are “capable of attracting investment” (All Africa, 2013, p. 2) and which mainly fell under the transportation sector and increasingly attracted raw material extracting businesses (Fair Politics, 2013). A specific example of such an investment can be seen in box B. In addition to the aid the EU has used loans to foster raw material extraction. Via the EIB 11,9% of the total lending’s were used for financing mining projects in ACP countries between 2003-2012 (Fair Politics, 2013).

8. Conclusion and recommendations:

As the third research question suggests there have been major changes in the European raw material policy towards Africa within the last two decades. Whereas access to raw materials only played a minor part in the EU´s foreign policy of the 1990s, it has now become a main concern for policy makers due to the rapidly increasing competition for minerals of all kinds. Even though lowering African export restrictions and getting easier access to African raw materials for investors has been the strategy throughout the last two decades, the pressure with which Europeans are trying to accomplish this has sharply increased around the mid-2000s. The establishment of the Good Governance Principle for example increased the pressure for African states to adopt more to European political and regulatory standards. Another example is the fact that the EU tried to limit African export tariffs by trying to use the WTO to lift them in 2006. In addition the European budget for investment in African infrastructure (African Trust Fund), the EIB and regular development aid increased over the time span as well.

The Chinese raw material policy on the other hand changed dramatically in the late 1990s in that the Chinese became very pro-active in making many resource-based agreements with African states from that time onwards (See table 4 in the appendix). That has been achieved by linking public aid and private investments together in order to agree to “resources-for-infrastructure agreements”. Even though government control of the country´s businesses became somewhat smaller, policies encouraging foreign investment (i.e. tax exemption) in raw materials and the fact that main enterprises are still in the hand of the government are leading to the before mentioned linking effect.

Concerning the second research question about the factors influencing EU raw material policies towards Africa one can make several observations. Concerning the “internal factors” of the ACP one can see that Africa as a continent is becoming more important as raw material supplier since many natural resources of the continent haven´t been accessed yet. In addition, developing countries all around the world use increasingly protectionist measures which African countries are not using to the same extent, due to a high dependency on selling them, since there is a relatively small processing industry within the continent . Secondly, the increasing investment standards of the 1990s and early 2000s (i.e. equator principles) are an expression of a critical public in Europe which is increasingly concerned about the social and environmental impacts of their businesses. However, since the EU is currently following a more business oriented policy approach the impact of this phenomenon shouldn't be overestimated. The fact that the former head of the European Investment Bank Philippe Maystadt recommended publicly that the EIB and other financial institutions should lower their investment standards in order to stay competitive with the Chinese shows that business concerns seem to be of higher importance (Bosshard, 2008). Thirdly, the legal structure of the EU changed towards a more supranational approach of European aid and development policies, however those changes do not explain changing policy outcomes very well.

Concerning the "external factors" of the ACP, the socio-economic conditions only changed slightly within Europe. However, the increasing global competition could explain the somewhat more business-friendly approach of raw material policies in the 2000s. The second factor, namely changes in governing coalitions, has certainly been of some importance, due to the fact that mainly social democratic parties dominated the 1990s and conservatives the 2000s. With respect to policies proposed one can see that the center-right is more business-friendly than the left. Finally, the Chinese influence is very strong since the Chinese are the fastest growing investor in Africa and they offer cheaper credits, far lower conditionality attached to aid and project investments, more infrastructure investments and a less bureaucratic help. Since the Chinese are not demanding any political concessions of the African countries some of them have no other opportunity than accepting Chinese help due to the fact that EU aid is being suspended (i.e. Rwanda) (Tran, 2013).

In addition, the ACF´s hypotheses have correctly predicted the policy changes: First of all, changes in external factors have fostered the policy change of the EU far more than internal factors (Hypothesis 3) as it is stated above. Secondly, the interests of the coalitions have been rather stable over time (Hypothesis 1), the basic struggle between the Business coalition on the one hand and the African development coalition on the other hand have remained stable: Free markets versus African protectionism and EU aid as a means of making business versus aid for humanitarian purposes only. Finally, the model is correct in saying that actors involved in the policy making process are very unlikely to change their core beliefs. Since raw material policy is relatively young one cannot see major changes in core beliefs among any of the players yet. However, European aid seems to become increasingly business-oriented, which is actually a contradiction to its intended purpose. That is why overall the business lobby seems to dominate EU policies right now and in the near future.

With respect to the main research question one can actually see the reason for that: The Chinese involvement in Africa can be seen as the most important factor explaining changing EU raw material policies. First of all, the pressure for Europeans to ensure raw material access has been increased due to increased competition. Secondly, Europe is only reactive rather than being pro-active, since the EU tries to "copy" some of the Chinese policies. Aid is increasingly being used to back up business deals and the budget is slowly increasing as well for that. Even the Dutch Development Minister admitted that aid shall not follow the traditional development mission any more but shall rather be used for eye-to-eye business contracts and thus she said "Development aid will disappear" (Volkskrant, 2013). The

Europeans are also continuing to improve the rights of investors - like no double taxation - and to lower down African export restrictions. Overall it seems that these growing efforts of both sides (and other global players as well) seem to lead to a new kind of Mercantilism in which each side is aggressively trying to get its hands on raw materials for their own need and only sell the processed goods to foreign countries.

As the findings suggest it can be expected that the EU´s raw material policies will be much more business-oriented in the next years in order to stay competitive with China and other global powers. This however doesn't necessarily mean that this will be a bad deal for Africa, since Africans increasingly prefer the Chinese style of investing due to the fact that the Chinese aren't focusing on changing policy regimes but fighting poverty via job perspectives. However, the EU shouldn't ignore the fact that its own policies do harm African development as well: Rather than lowering down own social standards the EU should support African governments in demanding similar or higher social and environmental standards from other countries as well. Increasing the social and environmental liability and transparency of companies investing in Africa would be a good initiative to start with.

That has to do with the fact that the true winner of the raw material race will be Africa in the long run, since African states can demand better deals in future negotiations, due to the increasing attractiveness for investors (I.e. African GDP grew 1 percentage point higher than rest of the world in the last decade) (Business & Economy, 2011). A recent example of that growing confidence is the government´s seizure of a Chinese owned mine in Zambia, due to a poor safety, health and environmental compliance (Kotch, 2013). This has been done by president Michael Sata, who has been elected in 2011, after running a campaign partly based on "anti-Chinese sentiments" (Spilsbury, 2012, p. 239). After his election he started to regulate foreign investments in a way that it contributes much more to the development of the society, i.e. by raising royalties on mining. In addition he publicly announced that he would take actions to improve working conditions as well (Spilsbury, 2012). It seems likely that this example will be emulated by other African states. Therefore the EU should rethink their strategy of lowering down investment standards but instead encourage African governments to increase social and environmental standards and help them to apply these standards to each and any investment coming in the countries. This would not only contribute to African development but give Europe a competitive advantage since European investors have both the means and the capacity to comply with these standards and still make money out of their investments.

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10. Appendix

10.1 Tables

Table 1: Strategic and critical raw materials			
1. Aluminium	12. Diatomite	23. Magnesite	34. Silver
2. Antimony	13. Feldspar	**24. Magnesium**	35. Talc
3. Barites	**14. Fluorspar**	25. Manganese	**36. Tantalum**
4. Bauxite	**15. Gallium**	26. Molybdenum	37. Tellurium
5. Bentonite	**16. Germanium**	27. Nickel	38. Titanium
6. Beryllium	**17. Graphite**	**28. Niobium**	**39. Tungsten**
7. Borates	18. Gypsum	29. Perlium	40. Vanadium
8. Chromium	**19. Indium**	**30. Platinum Group Metals**[22]	41. Zinc
9. Clays (and Kaolin)	20. Iron Ore	**31. Rare earths**[23]	
10. Cobalt	21. Limestone	32. Rhenium	
11. Copper	22. Lithium	33. Silica sand	

Source: EC (2010): Critical Raw Materials from the EU: Report of the Ad-Hoc working group on defining critical raw materials.

Table 1: Ramdoo, 2011 (Raw materials in critical supply are written bold)

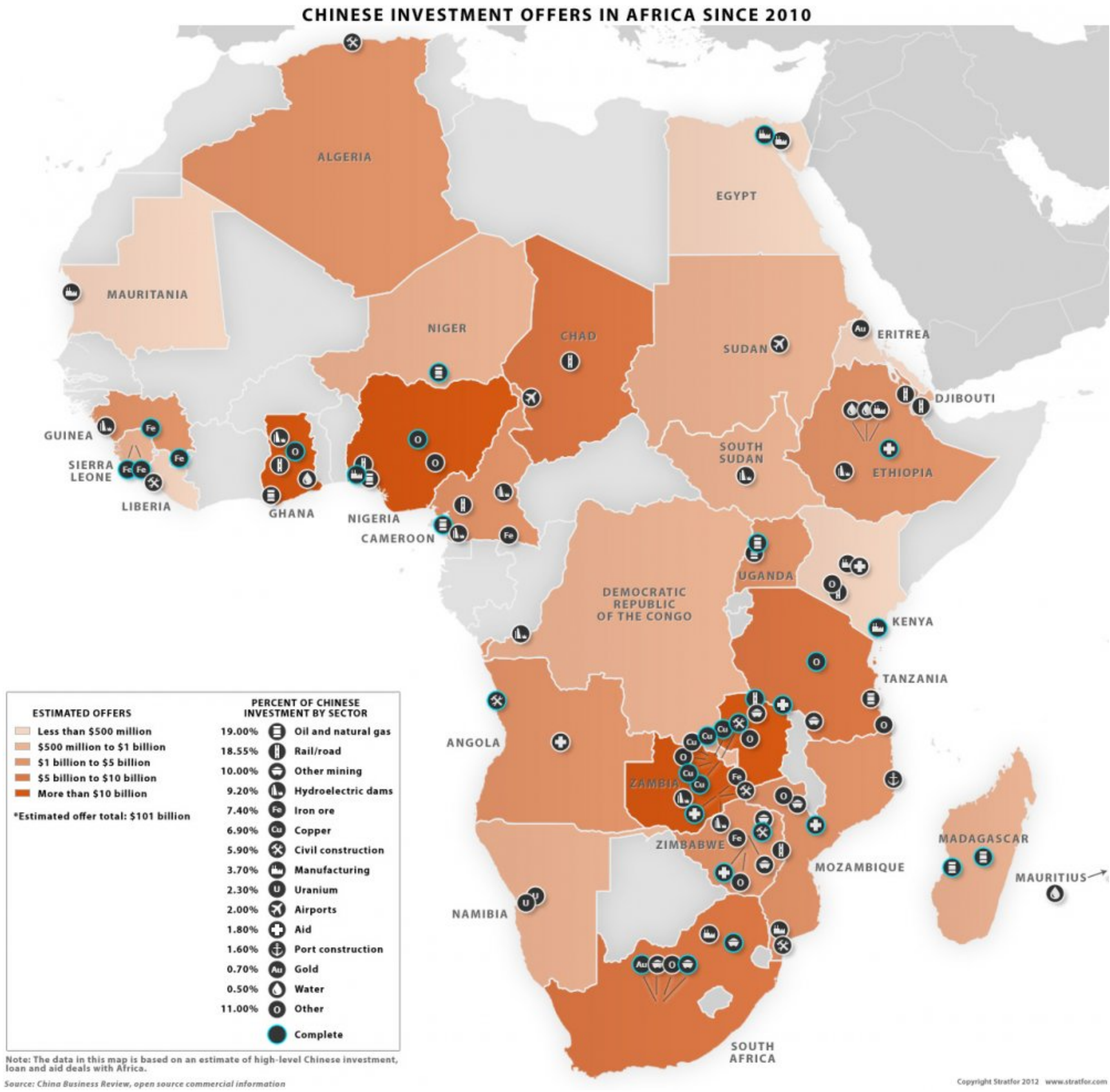
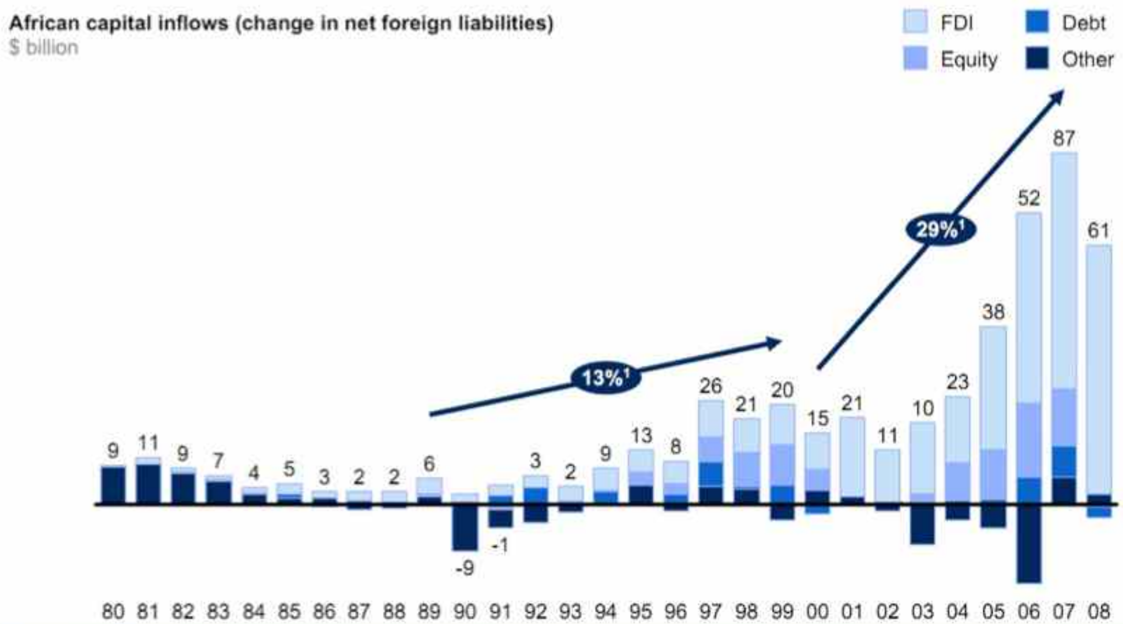


Table 2: Badkar, 2010

African capital inflows have grown by over 400 percent since 2000



% of GDP	0.2	0.2	0.1	0.6	0.4	-1.8	0.5	1.9	1.4	3.3	2.5	2.1	2.8	4.9	4.1
% of investment	10.1	10.4	5.2	3.2	2.1	-9.5	2.9	9.9	8.2	18.1	12.9	9.1	12.5	20.9	16.1

1 Compound annual growth rate.

SOURCE: McKinsey Global Institute Global Capital Flows Database

Table 3: VC4, 2011

Target country	Asset	Date	Chinese Company	Acquisition	Value
DRC	Kinsevere copper mine	February 2012	Minmetals	90% stake in Anvil Mining	$1.3 bn
Uganda	Oil assets in Lake Albert	February 2012	CNOOC	One-third of Tullow's oil assets in Lake Albert	$1.5 bn
Zambia	Copper	February 2012	CNMC	Development of Chambishi south-east	$830 m
Cameroon and Congo	Mbalam iron ore project	October 2011	Sichuan Hanlong Group	100% in Sundance	$1.6 bn
DRC and Zambia	Copper and cobalt mines	July 2011	Jinchuan Group	100% in Meteorex	$1.39 bn
South Africa	Gold	June 2011	Two Mining Companies	65% stake in Aurora Holdings Ltd	$ 60 m
South Africa	Gold	April 2011	Wing Hing International	87% in Taung Gold	$ 986 m
Sierra Leone	Iron ore	May 2011	Shandong Iron & Steel	25% in Tonkolili iron ore project (the remaining 75% is owned by African Minerals)	$1.5 bn
Guinea	Iron ore	March 2010	Chalco (Chinalco)	47% in the Simandou project (the remaining 53% is owned by Rio Tinto)	$1.4 bn
Sierra Leone	Iron ore	January 2010	China Railway Materials (CRM)	12.5% stake in African Minerals (Tonkolili iron ore)	$244 m
Zambia	Copper	December 2009	CNMC	Additional investment to rehabilitate Luanshya copper mine	$150 m

Target country	Asset	Date	Chinese Company	Acquisition	Value
Kenya	Oil	October 2009	CNOOC	Secured exploration well in North Kenya	$26 m
Zambia	Nickel	August 2009	Jinchuan Group	70% stake in Munali mine (the remaining 30% is owned by Albidon)	N/A
Nigeria and Gabon	Oil	August 2009	SINOPEC	Takeover of Addax Petroleum (Swiss) with significant oil equity in the Gulf of Guinea	$7.2 bn
South Africa	Chromites	July 2009	Minmetals	70% stake in Vizirama	$81 m
Liberia	Iron ore	June 2009	China Union	Bing Iron ore mines	$2.6 bn
Zambia	Copper	June 2009	CNMC	Luanshya mine rehabilitation	$400 m

Table 4: The China Analyst, 2009 (The table represents the biggest Chinese investment projects in African raw materials, from 2010 onwards)

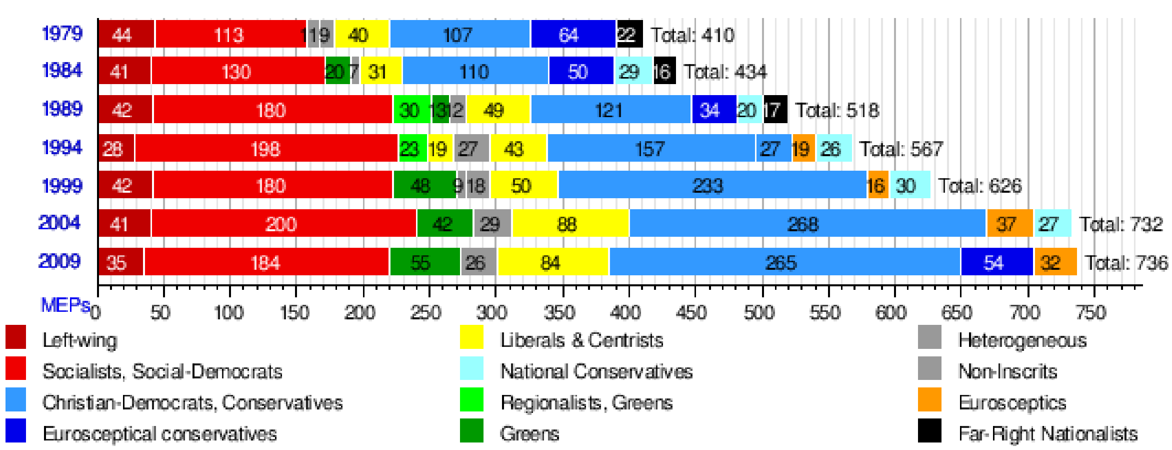


Table 5 : Europe Politique: Parlement européen, 2010 (The table represents the election results of the EP between 1979 and 2009)

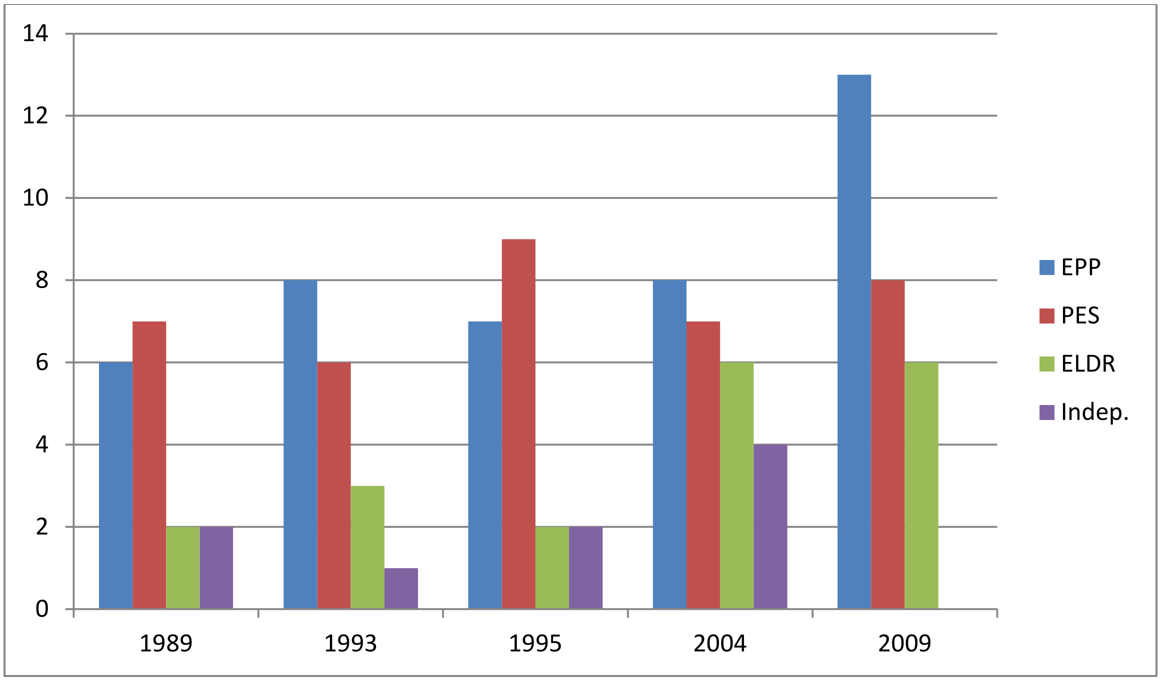


Table 6 : European Commission, 2013 (The table represents the Party affiliation of European Commissioners between 1989-2009)

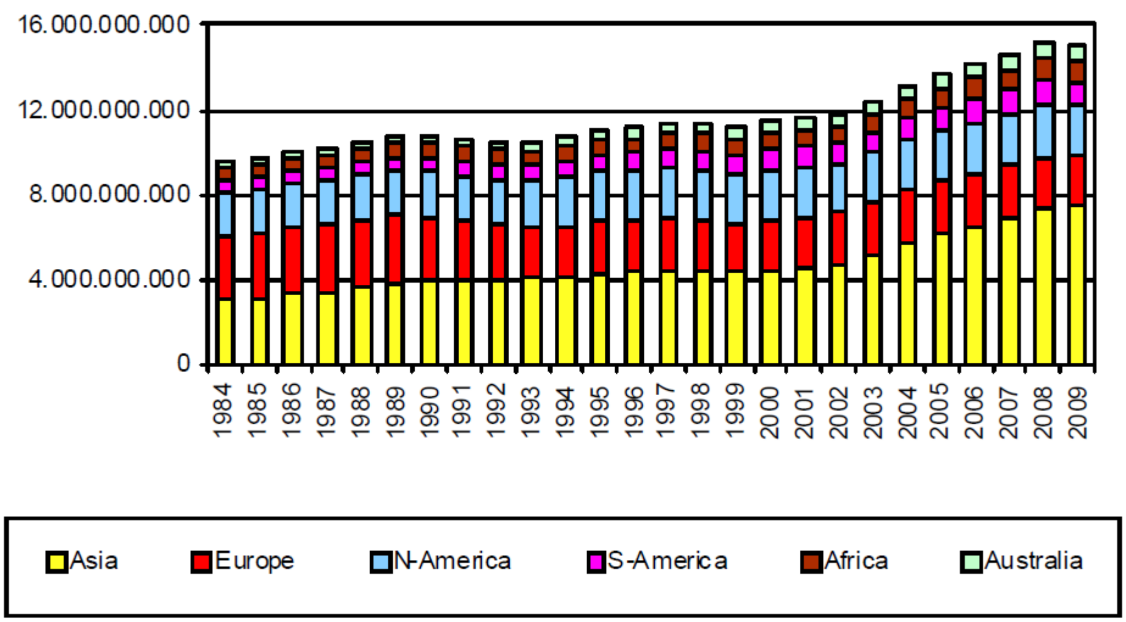


Fig. 2:World mining production 1984 - 2009 by continents
(without construction minerals, in metr. t)

Table 7 : Energie und Bergbau, 2011

Table 8 : Poston, 2009

10.2 Participating interviewees

The following persons have been interview for this thesis, either via mail or via the phone:

Bärbel Rippel, Project Coordinator “Good Governance in the mining sector”. German Society for International Cooperation - Democratic Republic of Congo department

Chevon Erasmus Porter, Communications Manager of the South African Institute of International affairs

Eberhard A. Gschwindt, Responsible for mining projects oversight at the European Investment Bank

Monique Koning, Head of the Project Finance Division for ACP countries at the European Investment Bank

Peggy Schulz, research assistant in the Federal Institute for Geosciences and Natural Resources, Germany