

A REPORT OF THE CSIS
PROJECT ON U.S. LEADERSHIP
IN DEVELOPMENT

U.S.-China Parallel Development Assistance Goals

BUILDING ON COMMON INTERESTS



Authors

Xiaoqing Lu Boynton
Conor M. Savoy

March 2012



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U.S.-CHINA PARALLEL DEVELOPMENT ASSISTANCE GOALS BUILDING ON COMMON INTERESTS

Xiaoqing Lu Boynton and Conor M. Savoy

Introduction and Overview

As China's economy expanded in recent decades, there has been a corresponding rise in the amount of foreign assistance it offers to the developing world. In particular, China increased aid to countries in Africa, Latin America, and Southeast Asia. Some of China's methods and objectives are controversial with the international aid community. Critics accuse China of frequently following a "mercantilist" strategy in using aid and loans in order to secure natural resources such as oil and raw materials. One commentator went so far as to describe Chinese aid as "rogue aid," because it is driven by self-interest and not what is best for the developing world.¹ In remarks widely interpreted as aimed at China, Secretary of State Hillary Clinton recently warned countries to be "wary of donors who are more interested in extracting your resources than in building your capacity."² Added to these feelings, China treats the methodology of its aid as a competitive asset and has sought to distance itself from international efforts at creating a cooperative framework for foreign assistance. In spite of this, since the second term of the Bush administration, the United States has sought to engage with China on international development. This includes high-level meetings between the heads of China's foreign aid bureaucracy and the U.S. Agency for International Development (USAID), as well as on-the-ground attempts to find common ground on development.

Cooperation in international development remains challenging, even when it involves close allies such as the United States and its Western European partners. The most prominent examples today are global alliances (that frequently deal with public health issues) such as the GAVI Alliance, the Global Fund, or the Clean Cookstove Initiative. Although China contributes funding to the Global Fund (\$30 million between 2003 and 2013), the vast majority of partners are Organization of Economic Cooperation and Development (OECD) member states. China, for its part, pursues cooperation largely through multilateral organizations such as the Food and Agricultural Organization of the UN, the UN Development Program, the Asian Development Bank, and others. These efforts are aimed at strengthening South-South cooperation and are seen as a supplement to South-North cooperation. Beyond the challenges that affect development cooperation, there are significant barriers between the United States and China on international development. These barriers include bureaucratic politics in Beijing, differences in development goals, divergent means of providing aid, and a capacity gap. As a result, in some areas that might otherwise lend

1. Moses Naim, "Rogue Aid," *Foreign Policy* (March 2007): 95–96.

2. Ben Bland and Geoff Dyer, "Clinton Warning over Aid from China," *Financial Times*, November 30, 2011, <http://www.ft.com/intl/cms/s/0/33efc23c-1b35-11e1-85f8-00144feabdc0.html#axzz1ky63PyPT>.

themselves to a more collaborative approach, particularly in health and agriculture, very little collaboration between China and the United States has actually been realized.

A key challenge in twenty-first-century geopolitics is finding ways for the United States and China to cooperate internationally and avoid conflict. Cooperation is seen as a way to build mutual strategic trust. Finding areas of common development interests will be difficult, but not impossible. Understandably international development as a source of cooperation may not be a priority for Beijing and Washington. However, it does represent an area that requires a low level of investment and could yield beneficial gains for both countries. The United States and China already discuss development at a high level and there has been some limited cooperation at the country level, most notably in a joint health assessment in Liberia. Going forward, the United States should consider the following recommendations:

1. The U.S. government needs to better define the goal or purpose of cooperation on international development with China. At present it remains to be seen what the two countries would gain on a strategic, operational, and tactical level from greater cooperation.
2. However, the United States should continue to engage with the agencies and officials responsible for administering China's foreign aid programs in order to develop a better understanding of how China approaches international development. This should be conducted at all levels.
3. The debate over Chinese foreign assistance should shift from questions of its motives and toward looking at how its work can complement the West's focus on other development areas.

Background: China's Foreign Aid

Chinese foreign assistance remains shrouded in state secrecy. China does not release comprehensive data on its foreign assistance to the developing world. China's bilateral foreign aid is administered by the "Department of Aid to Foreign Countries," an office of the Ministry of Commerce (MOFCOM) headed by Director-General Liao Jiancheng. Not unlike the United States, China lacks a centralized aid process and several other ministries and agencies are involved in the disbursement of Chinese aid. This includes the Ministries of Health and Agriculture, as well as the Ministry of Finance, which oversees Chinese support to multilateral organizations such as the World Bank and International Monetary Fund (IMF). In 1994, China created two "policy banks," the Export-Import Bank of China and the China Development Bank, which provide various types of loans that form a large portion of Chinese foreign aid.³ In spite of this decentralization, most outside analysts agree that MOFCOM is the driving force behind decisions by the Chinese development banks.⁴ However, the State Council, China's cabinet, must approve major initiatives, and include input by the Ministry of Foreign Affairs and, if the aid is large enough, the Ministry of Finance.⁵

3. Deborah Brautigam, "Testimony on China's Growing Role in Africa," U.S. Senate Committee on Foreign Relations Subcommittee on African Affairs, November 1, 2011, p. 2.

4. Deborah Brautigam, *China, Africa and the International Aid Architecture*, Working Paper No. 107 (Tunis: African Development Bank, April 2010), p. 7.

5. Carol Lancaster, "The Chinese Aid System," Center for Global Development, June 2007, http://www.cgdev.org/files/13953_file_Chinese_aid.pdf.

Estimates of the Chinese aid budget are difficult, because the exact figure is viewed as a state secret and China does not accept the OECD definition of official development aid.⁶ It is believed that China maintains secrecy over its foreign assistance, because it wishes for the world to continue viewing it as a developing nation. Also, with its own many poor, underdeveloped areas, China does not want its citizens to feel that money that could be spent at home is spent abroad. Much of China's aid to the developing world comes in the form of concessional (or "soft") loans, export/import credits, or other types of loans offered by MOFCOM, the Exim Bank of China, and the China Development Bank, which the OECD views as trade and investment by its standards. In April 2011, the Chinese government released a white paper that included total amounts for foreign assistance since 1950, but it did not break it down on a year-by-year basis. Beijing noted that between 1950 and 2009 MOFCOM had disbursed \$16 billion in grants and \$11 billion in interest-free loans. Additionally, the Exim Bank of China disbursed \$11 billion in concessional loans between its founding in 1994 and 2009.⁷ An exact figure for loans by the China Development Bank is not known, but would undoubtedly increase the bottom-line number for Chinese foreign assistance.

Because of the secrecy surrounding China's foreign aid budget and reliance on loans to finance development projects, Western estimates of China's yearly foreign assistance vary widely. An April 2008 report by the NYU Wagner School estimated that in 2002 China's foreign aid amounted to approximately \$51 million. This number, according to the Wagner study, climbed to \$25 billion in 2007. This 2007 figure is further broken down to include \$16.6 billion worth of loans, \$7.2 billion of state-sponsored investment, and \$1.2 billion in grants, in-kind aid, or debt relief/cancellation.⁸ Clearly, China's foreign aid numbers frequently swell with the inclusion of the high amount of loans and other investment it offers. Notably, because of China's use of loans to finance development projects, its total base line will vary from year-to-year based on projects and priorities. In terms of official development assistance, China is thought to have disbursed \$3.1 billion worth throughout the world in 2010.⁹ As a point of comparison, this level of foreign aid resembles that of a mid-size OECD country, such as Belgium or Australia.

Chinese Development Assistance to Africa and Latin America

China directs the majority of its foreign aid toward sub-Saharan Africa and Southeast Asia, although it recently increased the assistance offered in Latin America. China's 2011 White Paper on Development provides the following geographical breakdown: Africa (45.7 percent), Asia (32.8 percent), Latin America and the Caribbean (12.7 percent), Oceania (4 percent), Europe (0.3 percent), and others (4.5 percent).¹⁰

6. U.S. Department of State, "Report to Congress on Assistance by the People's Republic of China to Government and Entities in Latin America and Africa Division J, Department of State, Foreign Operations, and Related Programs, Section 7071(f) (3) of the Omnibus Appropriations Act, 2009 (P.L. 111-8)," Fiscal Year 2009, http://www.usaid.gov/press/congressional/2009/cr_china_7071f3.pdf.

7. "White Paper: China's Foreign Aid," *China Daily*, April 22, 2011, http://www.chinadaily.com.cn/cndy/2011-04/22/content_12373944.htm.

8. Thomas Lum et al., *China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia*, Congressional Research Service Report for Congress, February 25, 2009, pp. 3–4.

9. Brautigam, "Testimony on China's Growing Role in Africa," p. 2.

10. "White Paper: China's Foreign Aid."

Chinese Development Assistance to Africa

Chinese foreign assistance to Africa began in the 1960s as part of the broader Cold War competition with the United States and later its internal struggle for communist leadership with the Soviet Union. Mao's China, in particular, placed a high premium on the importance of the Third World, and focused on economic support to recently independent countries in Africa. Health diplomacy was, and is, at the forefront of China's aid engagement in Africa. Today, Chinese aid to Africa is driven largely by investment in infrastructure and development projects, and through means of various loans made by the China Development Bank and the Exim Bank of China. China's aid programs in Africa are perceived as a strategy to meet the country's demand for long-term reliable access to natural resources in order to sustain its rapid economic growth at home. Indeed the countries that China invests in the most are ones with significant natural resources, whether it is oil (Angola, Sudan, and Gabon) or mining (Guinea, Zambia, and the Democratic Republic of the Congo).

China engages in bilateral cooperation with African countries and in multilateral cooperation with regional and international organizations in administering development assistance. The principal mechanism for development cooperation between China and African countries in recent years is the Forum on China Africa Cooperation (FOCAC). China also has long-standing relations with the African Union, as well as sub-regional organizations. In addition, China Exim Bank and China Development Bank are heavily involved in investment projects with the African Development Bank and other regional institutions. Brautigam estimates that China spends approximately \$1.4 billion to \$2.7 billion in bilateral foreign assistance in Africa, along with an additional \$8 billion to \$9 billion in low-interest loans each year. In September 2010, the China Development Bank announced that it had committed \$10 billion in loans to Africa, of which it disbursed \$5.6 billion to 30 countries. The Chinese Exim Bank noted in June 2007 that it had committed \$13 billion of loans in Africa and planned to extend an additional \$20 billion in loans over the next three years.¹¹

Infrastructure: China's focus in recent years has been on large-scale infrastructure programs in Africa. However, the country does have a long history of infrastructure programs. For example, between 1970 and 1976, the Chinese government funded and helped construct a rail link between Zambia and Tanzania. Recent projects include transportation (rail and road), hydropower, port facilities, mining, refineries, and public buildings. In particular, the Chinese concentrate their spending on improving Africa's transportation and electricity generation—two areas that are key enablers for developing and extracting the natural resources China needs. However, this focus does serve the needs of Africa, which as highlighted by a 2008 World Bank report is the most under-powered region in the world. The continent also faces significant transportation and telecommunication shortfalls, two areas in which China makes substantial investments.¹²

In order to build up Africa's electricity sector, China has concentrated on developing new sources of hydropower—water being a resource that many African countries have in abundance. A September 2011 report by *Bloomberg* highlighted nearly \$9.3 billion worth of hydropower projects that China plans to complete over the coming years. This includes a \$2.2 billion dam in Ethiopia, a \$705 million dam in Sudan, a \$729 million dam in Ghana, and additional projects in Zambia, Ga-

11. Brautigam, "Testimony on China's Growing Role in Africa," pp. 2–3; Lum et al., *China's Foreign Aid Activities*, p. 9.

12. Anton Eberhard et al., "Underpowered: The State of the Power Sector in Sub-Saharan Africa," Africa Infrastructure Country Diagnostic Background Paper No. 6, May 2008, p. v.

bon, and the Democratic Republic of the Congo.¹³ In addition to spending on hydropower, China has also made significant investments in Africa's telecommunication sector, including contracts in Angola, Guinea-Bissau, Zambia, and Zimbabwe.¹⁴

Beyond this spending, China frequently offers large loan/aid packages to individual countries—two worth citing are Angola and the Democratic Republic of the Congo. Since 2002, China has offered Angola a total of nearly \$5 billion in low-interest loans in exchange for significant oil concessions. These loans were offered by the China Construction Bank and China Exim Bank, and financed a wide variety of energy, mining, and infrastructure projects. Projects include rehabilitation of the country's transportation network (railroads and highways), the capital city's electrical grid, construction of new power plants, assistance in rebuilding the agricultural sector, and the telecommunications network. Importantly, China was one of the first major investors in Angola's reconstruction after the end of the country's two-decade-long civil war.¹⁵ In 2008, China offered the Democratic Republic of the Congo (DRC) a nearly \$9 billion loan package secured through significant mining concessions. This package would pay for reconstructing the DRC's road and rail system, building two new hydroelectric power plants, and rebuilding two airports. China's planned loan/aid package to the DRC met with opposition from the International Monetary Fund, which considered \$9 billion to be an unacceptable amount of debt for the DRC to take on. The loan package was later lowered to approximately \$6 billion, but as of 2012 it still has failed to materialize due to the security situation in Eastern Congo.

Health and Disaster Assistance: Outside of its infrastructure projects, one of the most visible forms of China's health aid in Africa is the Chinese medical teams, the first of which was dispatched to Algeria in 1963. These medical teams work in rural, remote areas both to treat patients and to provide training for local medical personnel. In 2011, China made significant contributions to famine relief in the Horn of Africa. This included total aid contributions of more than \$69 million; \$16 million of that went specifically to the World Food Programme's activities in Somalia.¹⁶

At the 2006 Beijing summit of the Forum on China-Africa Cooperation (FOCAC), Chinese President Hu Jintao put forward eight measures to advance assistance to Africa, including setting up 30 hospitals and 30 centers for malaria prevention and treatment.¹⁷ Over the course of the past five years, China has followed up on these commitments, particularly in building hospitals and other infrastructure-related health projects, as witnessed recently by the completion of hospitals

13. Randall Hackley and Lauren van der Westhuizen, "Africa's Friend China Finances \$9.3 Billion of Hydropower," Bloomberg, September 9, 2011, <http://www.bloomberg.com/news/2011-09-09/africa-s-new-friend-china-finances-9-3-billion-of-hydropower.html>.

14. Jonathan Weston, C. Campbell, and K. Koleski, "China's Foreign Assistance in Review: Implications for the United States," U.S.-China Economic and Security Review Commission, September 1, 2011, www.uscc.gov/researchpapers/2011/9_1_%202011_ChinasForeignAssistanceinReview.pdf, p. 8.

15. See Indira Campos and Alex Vines, "Angola and China: A Pragmatic Partnership," Paper Presented at CSIS Conference "Prospects for Improving U.S.-China-Africa Cooperation," December 5, 2007, http://csis.org/files/media/csis/pubs/080306_angolachina.pdf.

16. United Nations World Food Programme, "Chinese Donation Supports WFP Food Distribution to Hungry Somalis," Press Release, October 12, 2011, <http://www.wfp.org/news/news-release/chinese-donation-supports-wfp-food-distribution-hungry-somalis>; Embassy of the People's Republic of China in Tanzania, "China's Food Aid to Africa and Agricultural Cooperation with African Continent," Press Release, August, 23, 2011, <http://www.fmprc.gov.cn/eng/wjw/zwjg/zwbd/t851124.htm>.

17. Jing Xu, P. Liu, and Y. Guo, "Health Diplomacy in China," *Global Health Governance* 4, no. 2 (2011): 1–12.

in Nigeria.¹⁸ At the 2009 FOCAC summit in Egypt, Chinese Premier Wen Jiabao further pledged that China would provide medical equipment and anti-malaria materials worth 500 million yuan (roughly \$79 million) to the 30 hospitals and 30 malaria prevention and treatment centers built by China, and train 3,000 doctors and nurses for Africa.¹⁹

Agriculture: Chinese experts conduct agricultural training and development assistance in African countries, including Madagascar, Mali, and Tunisia. They also introduce new strains of crops into local farms and construct agriculture-related infrastructure projects.²⁰ Following the Beijing FOCAC summit in 2006, China signed bilateral agricultural cooperation agreements with 10 African countries, sent 104 senior agricultural experts to 33 African countries, and began construction of 10 agricultural technology demonstration centers.²¹ At the 2009 FOCAC summit in Egypt, Beijing's agricultural pledges to Africa focused on strengthening Africa's ability to ensure food security by increasing the number of agricultural technology demonstration centers built by China in Africa to 20, sending 50 agricultural technology teams to Africa, and training 2,000 agricultural technology personnel for Africa.²² China is an active participant in the Food and Agriculture Organization's (FAO) Special Program on Food Security (SPFS) through the South-South Cooperation (SSC) program, which pairs technicians and experts from developing countries with farmers in host countries to facilitate the transfer of knowledge and skill. China has established SSC agreements with 13 developing countries in Asia, Africa, and Latin America since 1998, and created a \$30 million trust fund to support SSC in 2010.²³ Some of these countries in Africa include Gabon, Sierra Leone, Nigeria, Ghana, Mali, and Ethiopia.²⁴

Chinese Development Assistance to Latin America

While China's foreign aid to Latin America grew rapidly in the last five years, total spending in the region still lags behind the amount committed to Africa and Asia.²⁵ As with Africa and Asia, Chinese aid in Latin America consists primarily of loans for infrastructure construction and large-scale purchases of products, including aircraft, trains, and appliances. A recent paper analyzing Chinese loans to Latin America estimates that since 2005, China offered a total of \$75 billion in loans to various countries in the region; 91 percent of Chinese loans went to Venezuela, Brazil, Argentina, and Ecuador. In 2010, loans totaled \$37 billion, which was more than the World Bank, Inter-American Development Bank, and the U.S. Export-Import Bank combined.²⁶ Although this

18. "Nigeria: China to Build 150 Bed Hospital," *Sunday Trust*, April 26, 2010, <http://allafrica.com/stories/201004260317.html>.

19. "Full Text of Wen's Speech at 4th Ministerial Conference of FOCAC," Xinhua News Agency, November 19, 2009, http://www.china.org.cn/world/2009-11/09/content_18849890.htm.

20. "White Paper: China's Foreign Aid."

21. Forum on China-Africa Cooperation, "Implementation of the Follow-up Actions of the Beijing Summit of the Forum on China-Africa Cooperation," November 2009, <http://www.focac.org/eng/ltada/dsjbzjhy/hywj/t627504.htm>.

22. "Full Text of Wen's Speech at 4th Ministerial Conference of FOCAC."

23. China, Ministry of Agriculture, *Agriculture and International Cooperation of China*, http://www.fao.org/fileadmin/templates/tc/spfs/pdf/Agri_Interna_Cooperation_China.pdf.

24. United Nations, Food and Agriculture Organization (FAO), "Special Programme for Food Security: South-South Cooperation," <http://www.fao.org/spfs/south-south-spfs/ssc-spfs/en/>.

25. Weston et al., "China's Foreign Assistance in Review."

26. Kevin P. Gallagher, Amos Irwin, and Katherine Koleski, "The New Banks in Town: Chinese Finance in Latin America," *Inter-American Dialogue*, February 2012, pp. 1, 5.

could be seen as a challenge in the United States' backyard, it is important to note that Venezuela, Argentina, and Ecuador are three countries that face significant obstacles in raising money on the sovereign debt market. China's focus on these countries highlights its role as a lender of last resort for developing countries looking to finance large-scale infrastructure projects. Other Latin American countries—Chile, Mexico, Peru, and Columbia, for example—continue to rely upon international financial institutions and Western banks for lending purposes.

Infrastructure: Since 2005, China—largely through the China Development Bank and China Exim Bank—loaned Latin American and Caribbean countries more than \$50 billion to fund infrastructure projects. Venezuela, under the leadership of Hugo Chávez, is a key recipient of this money, receiving approximately \$36 billion of these loans to fund housing and other infrastructure projects. These loans are secured largely through loans-for-oil deals, which see China keeping as much as \$70 per barrel of oil it receives from Venezuela. Elsewhere, China funded two hydroelectric dams in Ecuador (also secured by loans-for-oil), new trains for Argentina, transportation in Peru, and road construction in Jamaica. Clearly, the pattern is similar to that in Africa.²⁷

Health and Disaster Assistance: Chinese medical relief missions were present in the recent disaster relief efforts in Latin America. Although China does not have diplomatic relations with Haiti, the Chinese government sent a 60-person rescue team, which was the first Asian team to arrive in Haiti. In addition, they sent more than 10 tons of disaster relief supplies with a value of \$1.76 million right after the Haiti earthquake in early 2010.²⁸ Subsequently, during the Chile earthquake rescue effort, China donated \$1.1 million and 95 tons of disaster relief supplies with a value of \$2 million in March 2010.²⁹

Agriculture: As noted above, China participates in the South-South Cooperation program of the FAO, where it also cooperates with Caribbean nations to share its agricultural expertise.³⁰ Recent cooperation includes the introduction to Costa Rica of Chinese strains of hybrid rice, designed to increase the overall yield compared to native strains of rice.³¹ China is in discussions with Peru about sending Chinese agricultural technicians to help integrate small and medium-sized producers within the economy.³² In Venezuela, China cooperated with the government to set up the Venezuela-China Development Fund, which financed the Venezuelan Academy of Agricultural Science, among other projects.³³ China also initiated projects that provide technical assistance in areas such as shrimp farming and bamboo weaving in Trinidad and Tobago.³⁴

It is important to note the growing impact of trade with China on various sectors of the Latin American economy, including agriculture. Latin American countries' continued growth rates dur-

27. *Ibid.*, pp. 6–7, 14.

28. "Chinese Rescue Supplies Arrive in Haiti," January 17, 2010, http://www.gov.cn/jrzg/2010-01/17/content_1512997.htm.

29. Charles W. Freeman III and Xiaoqing Lu Boynton, "A Bare (But Powerfully Soft) Footprint: China's Global Health Diplomacy," in *Key Players in Global Health: How Brazil, Russia, India, China, and South Africa Are Influencing the Game*, ed. Katherine E. Bliss (Washington, D.C.: CSIS, November 2010).

30. FAO, "Special Programme for Food Security."

31. Chinese Ministry of Science and Technology, "Successful Trial Planting of Chinese Hybrid Rice in Costa Rica," http://www.most.gov.cn/eng/pressroom/201005/t20100521_77623.htm.

32. "Peru and China to Enhance Cooperation on Agricultural Issues," *Peru This Week*, August 3, 2011, <http://www.peruthisweek.com/news-278-Peru-and-China-to-enhance-cooperation-on-agricultural-issues/>.

33. Correo del Orinoco International, "Advancing Food Sovereignty and Agricultural Production in Venezuela," *Venezuelanalysis.com*, August 15, 2011, <http://venezuelanalysis.com/news/6423>.

34. R. L. Bernal, "The Dragon in the Caribbean," *The Round Table* 99, no. 408 (June 2010): 281–302.

ing the financial crisis are attributable, to a large extent, to their growing trade relationship with China. While China's investment in Latin American countries continues to lag behind that of the United States, China is the principal export destination for Brazil and Chile, and the second-largest export recipient of Argentina, Costa Rica, and Peru. A significant portion of this trade consists of agricultural products—soybeans in particular, but also meat, seafood, coffee, and fruit. At present, among all Latin American countries, Argentina and Brazil benefit the most from agricultural trade with China—both countries send close to 50 percent of their soy exports to China. However, agricultural products from China in some cases compete with those from other Latin American countries, resulting in negative impacts to these countries' agricultural sectors.³⁵

Key Implications and Challenges in Building U.S.-China Collaboration on Development Assistance

As outlined above, China is a growing donor to the developing world. This is impacting U.S. government efforts throughout the developing world. Chinese foreign aid allows it a significant presence throughout sub-Saharan Africa, Southeast Asia, and Africa. This presents both a challenge and an opportunity for the United States. In response, the United States has sought ways to engage China through bilateral and multilateral forums on development. In the late Bush administration (2008), this included sending a development counselor to the embassy in Beijing in order to engage the U.S. government's Chinese development counterparts. Further, Bush administration officials identified several potential areas for U.S.-China collaboration, including countering endemic diseases such as malaria, joint agricultural projects, infrastructure, security reform in the Congo, and irrigation in Ethiopia.³⁶ Although key stakeholders in the U.S. government supported these proposed projects, the projects failed due to a lack of interest on the Chinese side, as well as the host governments involved (notably Angola).

The Obama administration has continued the Bush administration's effort at engaging China on matters relating to international development. In 2009, Secretary of State Hillary Clinton added global development to the agenda of the first meeting of the U.S.-China Strategic and Economic Dialogue (S&ED). This expanded in 2010 to include a side meeting between USAID administrator Rajiv Shah and MOFCOM then vice minister Fu Ziyang. Vice Minister Fu conducted a subsequent visit to USAID in the United States in the fall of 2011. Dialogues and exchanges at the top level showcase Beijing's willingness to discuss cooperation on international development in recent years. Despite the lack of concrete progress at the upper echelon of the two governments, there has been some limited cooperation between the United States and China at a country level.

In 2010 the two countries agreed to conduct a joint health assessment in Liberia. Although this work in Liberia produced results, it also showed the limits of U.S.-China development cooperation. The U.S. government hoped to expand the joint health assessment from Liberia to Ghana, but when the United States approached the Chinese ambassador in Ghana it was rebuffed. According to sources familiar with the incident, this underlined the importance that resident Chinese ambassadors have in determining foreign aid efforts: if they want to cooperate (Liberia), they do

35. Jorge Caballero, E. O'Connor, and B. Amado, "Latin America's Agricultural Exports to China: Recent Trends," IAMO Forum Paper, 2010, http://www.iamo.de/fileadmin/uploads/forum2011/Papers/Caballero_IAMO_Forum_2011.pdf.

36. David H. Shinn, "United States-China Collaboration on Health and Agriculture in Africa," Paper Presented at Joint Conference hosted by CSIS and the China Institute of International Studies, May 24, 2011, p. 1.

so; if they do not (Ghana), then they do not.³⁷ In addition to the health assessment, China also participated in rehabilitating an engineering building at the University of Liberia. This was a \$1.2 million project financed by USAID; China equipped several labs in the new building.³⁸

While there have been multiple attempts at U.S.-China development cooperation, talks have yielded few concrete results. The rhetorical support for “building habits of cooperation” is robust in foreign-policy circles. Yet, as the cases outlined above illustrate, implementation has so far been weak. Nevertheless, both countries have long-standing connections with multilateral organizations, and cultivate their own fruitful relationships with countries in Africa and Latin America, all of which can be leveraged to more effectively pursue cooperation on development issues. What emerges from these initial attempts is that significant challenges exist to establish closer U.S.-China collaboration on development assistance. These obstacles include bureaucratic decentralization, differences in development assistance goals, divergent methods of providing aid, and other political considerations. In addition, reservations and mistrust, both within China and the United States, and within the recipient countries, continue to serve as a formidable obstacle.

Bureaucratic Challenges

Neither China nor the United States has a centralized mechanism for systematically operating foreign aid programs. China’s aid structure is, in particular, fragmented. The United States and China operate their development assistance programs through a network of separate departments and agencies, which poses a bureaucratic challenge to enhancing coordination. In Beijing, there are serious bureaucratic challenges to overcome within the Chinese government in order for deeper development collaboration to occur. As noted, China’s aid system is extremely fragmented, with multiple ministries controlling their own aid budget and agenda. At high-level bilateral talks such as the S&ED, development assistance is not highlighted on the agenda. With the Ministry of Foreign Affairs managing the strategic track and Ministry of Finance managing the economic track, discussion on development is sidelined amidst other pressing issues, such as currency, exchange rate, and North Korea, which crowd the bilateral agenda.

Differences in Development Assistance Goals

The goals of respective development authorities are widely divergent and incentives (financial and otherwise) are lacking at operational levels. For China, a related goal of providing foreign development assistance is to open up commercial opportunities in recipient countries for Chinese industry and resources. Infrastructure projects funded by China are often carried out by Chinese construction companies, and the projects provide a market for Chinese steel and other exported products. In recent years the international community has voiced concerns that much of China’s foreign aid is in the form of loans, which require recipient countries to incur significant debt or commit to large exports of natural resources to China as a precondition of receiving aid. These loans usually include a requirement that the products purchased or the labor used in construction of a project be supplied by Chinese companies, thus allowing the aid projects to also benefit the Chinese economy.³⁹

37. Interview with U.S. government official.

38. U.S. Department of State, “U.S. Government Delivers a Rehabilitated Engineering Building,” U.S. Embassy, Monrovia, March 18, 2010, <http://monrovia.usembassy.gov/pr031810.html>.

39. Ibid.

While the United States imposes economic and political conditions on foreign aid, China generally adopts a no-strings-attached approach.⁴⁰ Note, though, that Beijing traditionally has used its foreign assistance as a way of convincing governments to abandon recognition of the Republic of China on Taiwan and does not offer aid to governments that still recognize Taipei (only four African countries still maintain diplomatic relations with Taipei).⁴¹ However, other than Taiwan and commercial requirements described above, the principle of “noninterference in domestic affairs” is still at the core of China’s development assistance. In the past, China has objected to such requirements by Western donors as representing imperialism under a new guise.

Divergent Methods of Providing Aid

Most U.S. foreign assistance takes the form of grants, while most Chinese assistance is disbursed through some form of loans. A primary concern of Western countries is that nations receiving development assistance not incur significant debt for fear that such a situation would discourage the countries from accepting aid. The United States also focuses on actively involving nongovernmental and civil society organizations, while most Chinese aid programs are administered by the government or state-owned enterprises (SOEs). Chinese SOEs are major players in the infrastructure sector, and have won the majority of infrastructure contracts in developing nations.⁴² Most U.S. aid is de-linked from private investment; in contrast, Chinese aid financing models work differently, making the division between public and private interests less clear cut.⁴³

Capacity Gap

There is a significant capacity gap in what China and the United States can provide in foreign assistance. Although the dollar amount of Chinese aid has grown in recent years, its actual foreign aid structure remains small when compared with USAID and other U.S. government development agencies. MOFCOM has approximately 70 staff members working on foreign assistance and the Chinese Exim Bank can add another 100 or so individuals—all of whom work in Beijing. In comparison, USAID alone has more than 3,000 employees worldwide and a mission presence in the countries that it works in. In Africa, for example, USAID has a mission presence in 23 countries and 4 regional missions that help to coordinate the delivery of assistance. China does not have an equivalent aid presence in Africa or any region; instead it relies upon the local ambassador and an embassy’s commercial section to handle the local aspects of foreign assistance.⁴⁴ Hence, China’s aid

40. The degree to which the United States imposes conditions on its foreign assistance is debatable. Money offered to the Millennium Challenge Corporation compact countries carries with it specific governance and economic reforms. However, USAID is active in countries that have less-than-clean human rights, governance, or democracy records. Perhaps where the divergence is most clear is with countries—like Sudan, Zimbabwe, Burma, and other “rogue” states—avoided or sanctioned by the West and actively courted by China through economic assistance.

41. David H. Shinn, “China’s Growing Role in Africa: Implications for U.S. Policy,” Senate Committee on Foreign Relations Subcommittee on African Affairs, November 1, 2011, p. 1.

42. Lucy Corkin et al., “China’s Role in the Development of Africa’s Infrastructure,” SAIS Working Papers in African Studies, 2008, <http://www.sais-jhu.edu/bin/e/j/CorkinetalWorkingPaper.pdf>.

43. Deborah Brautigam, *China in Africa: What Can Western Donors Learn?* Norwegian Investment Fund for Developing Countries (Norfund), August 2011, www.norfund.no/images/stories/publikasjoner/andre_publicasjoner/Norfund_China_in_Africa.pdf.

44. U.S. Agency for International Development, “USAID in Africa,” December 16, 2011, http://usaid.gov/locations/sub-saharan_africa/.

programs and initiatives to cooperate with other donors on the ground depend heavily on personnel within the embassies (most often the ambassador), and tend to operate on an ad hoc basis due to the lack of continuity and consistency.

Disaster response is one area frequently cited as a potential way for the United States and China to cooperate. However, here too there is a significant capacity gap between the two countries. If one takes two recent large-scale disasters—the 2004 Indian Ocean tsunami and the 2010 Haitian earthquake—and compares the response by China and the United States, it becomes clear how great a gap exists. In both disasters the United States responded with large financial pledges and relied on its globally deployed military to quickly move relief supplies to Haiti and countries affected by the tsunami, in particular Indonesia. In 2004 the U.S. Navy dispatched an aircraft carrier battle group, an amphibious warfare group, and a 1,000-bed hospital ship to support relief efforts in Indonesia. Helicopters flying from these warships were able to move supplies into areas cut off due to damage from the disaster. A similar response occurred in 2010 in Haiti, when the U.S. military quickly airlifted relief supplies and helped to restore order in the wake of the earthquake. Although China has rapidly modernized its military in recent years, in particular creating a navy that has increased its global reach, its capability remains far behind that of the United States. In particular, the Chinese Navy lacks the key instruments—aircraft carriers, amphibious warfare ships, and large logistical ships—that allow the U.S. Navy to be an effective partner in disaster response.

Views of Recipient Countries

It is far from clear that individual recipient countries and their governments would welcome U.S.-China cooperation on development. Indeed, some recipient governments see a distinct benefit of maintaining separate aid programs by the U.S. and Chinese governments, as they present different options and the competition between the two might result in advantageous terms for the recipient countries. The United States generally requires that countries receiving aid also meet certain levels of democratic governance and transparency, and also that these countries allow U.S. agencies to carry out programs aimed at increasing the level of good governance. China, on the other hand, does not place such prerequisites on its development assistance, the only exception being that recipient countries of Chinese aid must sever any existing official diplomatic ties with Taiwan. Critically, recipient countries have the single most important voice in determining cooperative U.S. and Chinese development programs. Without their ownership of such programs, these efforts are doomed to be considered paternalistic and ineffective.

Continued Recipient of Aid

China, unlike Western donors, is a recipient of foreign aid, both from the United States and from multilateral development banks. U.S. programs in China focus on human rights, democracy, the rule of law, and environmental conservation. Between 2001 and 2011, the United States appropriated or authorized \$310 million for U.S. foreign assistance programs in China. Of this amount, \$257 million was for human rights, democracy, rule of law, and the environment. In addition, China received foreign aid from Japan, Germany, France, the United Kingdom, and Spain. This issue triggered a hearing in the U.S. House of Representatives in November 2011, which examined the reasons behind continued U.S. foreign assistance to the world's second-largest economy. As the U.S.-China relationship continues to evolve, China's receipt of aid will likely remain a potential hindrance to effective cooperation on international development.

Conclusion and Recommendations

As with many areas in the international realm, there are considerable challenges to increased cooperation between the United States and China on international development. This will only become more pronounced as the Obama administration's announced "pivot" toward East Asia becomes a reality. There are overlaps and commonalities in U.S. and Chinese development assistance to Africa and Latin America in the health and agricultural sectors, and more broadly seeking to develop the economies. In spite of these challenges, the United State should continue to seek to engage China on international development, as it does offer the possibility of finding common ground and helping to strengthen the broader relationship through building the habits of cooperation.

In pursuing the goal of establishing a partnership on development assistance, the United States and China should continue to hold regular discussions on potential areas for collaboration under bilateral frameworks. The U.S.-China S&ED is an apt forum to discuss areas of cooperation on development assistance between the two countries. The United States should approach this cautiously because of the internal Chinese bureaucratic politics outlined above. However, clearly Beijing has an appetite to pursue a dialogue with the United States on development. There is no reason to end this dialogue, which should continue for as long as the Chinese side is a willing partner.

U.S. and Chinese engagement with regional organizations can also serve as a platform for facilitating bilateral collaboration. In Africa, the United States and China should use organizations including the African Union and African sub-regional organizations, such as the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC), to build collaborative partnership with China. In Latin America, the ministerial meeting of the China-Caribbean Economic and Trade Cooperation Forum should serve to discuss opportunities for foreign aid programs. Such a platform could also be created within organizations including the Inter-American Development Bank, of which China and the United States are both donor members.

Recognizing the advantages of Chinese and U.S. aid programs, both sides could develop and conduct pilot projects that complement each other's strength, such as China's experience in infrastructure projects and the United States' long history of capacity building in local communities. Multiple U.S. agencies have established individual relationships with their Chinese counterparts to tackle related development issues. The U.S. and Chinese Centers for Disease Control (CDCs) have collaborated on HIV/AIDS prevention and treatment, health communication strategies, capacity building for healthcare professionals, and global immunization. The U.S. Department of Agriculture runs the Scientific Cooperation Exchange Program with China to support exchanges, which promote agricultural development and trade, as well as facilitate technical exchanges.⁴⁵ These bilateral collaboration programs have the potential to expand to Africa and Latin America.

More broadly, the debate in the West needs to move away from its focus on the motives behind Chinese foreign assistance. At best this is a distraction and at worst it is hypocrisy. To endlessly fixate on how Chinese assistance is driven by commercial consideration is to ignore that at its base all foreign aid is largely about currying favor with foreign governments. Rather than focusing on these issues, it would be more useful for the discussion in the West to look at how Chinese foreign aid is filling key gaps that Africa, in particular, is lacking. As outlined above the Chinese

45. U.S. Department of Agriculture, Foreign Agricultural Service, "Scientific Cooperation Exchange Program," September 13, 2011, <http://www.fas.usda.gov/icd/grants/scep/scep.asp>.

are offering large loans that help to finance the construction of desperately needed infrastructure projects (i.e., transportation, power plants, port facilities, and the like). This is an area that the United States, other OECD donors, and international financial institutions do not actively work in. In the long term this will complement the work that the United States and other OECD donors perform and help to facilitate economic growth.

Importantly, the United States and other large Western donors are not in immediate danger of being displaced by China as key development actors in the developing world. Although the economic crisis of 2008–2009 and subsequent push for austerity will cause Western aid budgets to fall, countries such as the United States, the United Kingdom, France, and Germany will likely remain significant donors for some time to come. In spite of the impressive growth of its aid program and its long history in foreign aid, China remains in many ways a relative newcomer to the field. Ultimately the goal should be to bring China closer in line with the broader norms of foreign assistance. But in the meantime, its work should be encouraged.

The U.S.-China relationship is likely the pivotal geopolitical relationship of the twenty-first century. China's economic and strategic rise presents both challenges and opportunities for the United States. Development assistance is an area where the United States and China can find and demonstrate genuine, common interests. Finding constructive ways to collaborate with China and building habits of cooperation on development assistance will help manage the rise of China and its implications for the bilateral relationship in the long run.



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The Project on U.S. Leadership in Development is a partnership with Chevron Corporation focused on leveraging all U.S. assets—the private sector in particular—to promote economic development, improve livelihoods, and reduce poverty worldwide. The project seeks to renew the discourse in Washington and develop a fresh, actionable set of policy recommendations for 2012 and beyond. The project builds on the ongoing work of CSIS in global health, water, trade, food security, governance, and economic development in the areas of conflict and post conflict.

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