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Approaches to Foreign Aid from China and the United States: Prospects for Developmentally Delayed Pakistan

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Key Points:

- Since WWII, Pakistan has experienced the unnecessary duress of becoming party to the conflict or showing affinity for one specific country.
- Although Chinese foreign aid is quickly expanding, it is still difficult to determine the nature and scope of the assistance because Chinese government is defensive by terming all documents as “classified material” until as recently as 2011.
- Beijing "prefers to present its actions in terms of two-way exchanges and two-sided cooperation"
- The eight guiding principles of Chinese international aid reflect its intellectual foresightedness. Foreign help in China ranges from military and technical assistance to low-cost investments and the delivery of Chinese-made equipment and supplies.
- States (civilian agencies and military institutions), commercial enterprises, philanthropic institutions, and intergovernmental organisations such as the United Nations (UN) are among the recipients of the US foreign aid in developing countries.
- The approaches adopted by the United States (US) and China are both justifiable differently.

INTRODUCTION

The politics of developmental aid evolved following the end of World War II (WWII) when the United States (US) started giving aid¹ to Europe under the Marshall Plan. Although circumstances have changed, the lower- and middle-income countries have remained part and parcel of American aid ever since. American aid usually remains tied to specific political, strategic, and ideological goals. However, the assistance to Pakistan was solely based on the desire to contain communism.

¹ “Marshall Plan,” *Britannica*, accessed December 13, 2021, <https://www.britannica.com/event/Marshall-Plan>.

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Furthermore, during the Vietnam War, Thailand and the Philippines received American aid for their role in the war. It can be observed that the donor is apparently in a superior position, and therefore has more leverage over the conditionality of the aid. There are other countries and agencies like the United Kingdom (UK), Japan, Australia, the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), and the World Bank, etc., who provide assistance to emerging countries. But, one may consider the US as a traditional donor and China's entry into this club as a non-traditional donor, in the light of the implications for Pakistan as a lower- and middle-income country. Therefore, the paper will not address the aid issue from the perspective of a donor (traditional or non-traditional) per se but rather uncover the ways of taking maximum benefits from the donors. The rationale for this paper lies in the fact

that developmentally delayed countries like Pakistan can maximise their economic benefit from the two leading economies without losing any of them in the politically charged world order. Since WWII, Pakistan has experienced the unnecessary duress of becoming a party to the conflict or showing an affinity for one specific country. This kind of alignment adversely impacts third-world countries so that aid becomes political in nature when it should remain purely for developmental purposes. In addition to that, a country loses its vision of development by becoming a party in the conflict. Apart from the above mentioned aspect, there is another difference between American and Chinese culture that is the style of overseas financing.

Thus, it is imperative for Pakistan to be proactive to formulate a layout at the governmental level separately for the US and China to conceive differences in their approach to aid and diplomatic measures that shield its neutrality. This paper will give a recommendation at the end after analysing the overseas foreign aid. Asian economies, particularly the Chinese economy, have set the bar too high in terms of the pace of their development. This has caused America to be concerned about its economic and development strategies in various parts of the world, as China has entered the development sector with the multibillion-dollar Belt and Road Initiative (BRI).² One advantage of China's entry as a non-traditional donor is that it has increased competition among traditional players such as the US. Therefore, one gets the idea that competition among the world's leading economies has much more to offer the world in terms of their overseas development aid/projects. The paper will analyse Chinese foreign aid and the US foreign aid and their respective interests. The aspect of social reputation will help understand the narrative building in the world of politics that will eventually compound the formulation of recommendations for Pakistan to continue its economic engagement with China and the US in the future.

CHINA'S CURRENT FOREIGN AID

Although Chinese foreign aid is quickly expanding, it is still challenging to determine the nature and scope of the assistance because the Chinese government seems defensive by terming all documents as "classified material" until as recently as 2011. Beijing would not publish official foreign aid data because they are cautious about the propaganda strategies of traditional donors like the US. However, apparently, the following motivations may hold Beijing from not revealing data: domestic dissatisfaction among millions of Chinese

² "Belt and Road Initiative," *Belt and Road Initiative*, accessed January 13, 2022, <https://www.beltroad-initiative.com/belt-and-road/>.

still living in poverty and competitiveness for greater help from recipient countries.³ Secondly, Beijing's conceptualisation of foreign aid frequently mirrors its most recent operationalisation of international and domestic policy objectives, making it difficult to distinguish aid from other types of investment and trade agreements with foreign countries. Beijing "prefers to present its actions in terms of two-way exchanges and two-sided cooperation" rather than the donor-recipient rhetoric that maintains hierarchical and unequal power relations, according to the World Bank.⁴

The eight guiding principles of Chinese international aid reflect its intellectual foresightedness. Foreign help in China ranges from military and technical assistance to low-cost investments and the delivery of Chinese-made equipment and supplies. As China emphasises two-sided cooperation in its investment overseas, loans, aid, and investments are differentiated from grants, interest-free loans, and concessional loans, as claimed by the State Council Information Office in the 2011 White Paper on Foreign Aid.⁵ Many ministerial-level agencies were involved in China's assistance management until 2018. Therefore, the quantity of Chinese foreign aid spending and its definition are also cleared like China Pakistan Economic Corridor (CPEC) in Pakistan is an example. The explanation of Chinese aid in western institutions includes tied aid, loans, export credits and connected export credits, as well as military assistance, all of which are expressly prohibited by the OECD's definition of official development assistance. These include "complete projects, products and resources, technical assistance, human resource development assistance, medical teams dispatched abroad, emergency humanitarian assistance, volunteer programme abroad, and debt relief".⁶ In such a scenario, the practical application of aid has become as controversial and political as its definition.

THE US' CURRENT FOREIGN AID

States (civilian agencies and military institutions), commercial enterprises, philanthropic institutions, and intergovernmental organisations such as the UN are among the recipients of US foreign aid in developing

³ Denghua Zhang, "Assessing China's Trilateral Aid Cooperation and Foreign Aid Reform," in *A Cautious New Approach: China's Growing Trilateral Aid Cooperation*, ANU Press, 2020, <http://www.jstor.org/stable/j.ctv103xdqk>.

⁴ W. He, "China's Aid to Africa: Views on Chinese Aid and Trade in Africa." In *Challenging the Aid Paradigm: Western Currents and Asian Alternatives*, edited by J.S. Sørensen, 138-165, (London: Palgrave Macmillan, 2010).

⁵ "The State Council Information Office: The People's Republic of China," accessed December 17, 2021, <http://english.scio.gov.cn/>.

⁶ Obert Hodzi, Leon Hartwell, and Nicola De Jager, "'Unconditional Aid': Assessing the Impact of China's Development Assistance to Zimbabwe," *South African Journal of International Affairs* 19, no. 1 (2012): 79-103.

countries. Consequently, the US foreign assistance differs substantially from China's official finance strategy, which acknowledges states as the sole legitimate beneficiaries of its assistance. Washington sees socioeconomic growth as a multi-stakeholder undertaking that can be realised through transparency and democratic governance rather than Beijing's strong-state development model.

In 2016, the overall value of US foreign aid accounted for 1.2 per cent of the federal government's total budget.⁷ Approximately USD 47 billion in foreign aid obligations were reported by the United States Agency for International Development (USAID 2020) for the fiscal year 2019. This sum is divided into two major components: economic assistance (USD 33 billion) and military assistance (USD 15 billion). According to USAID (2020) data, the US' aid responsibilities for 2019 were split among federal government departments in the United States and the top five recipient nations.⁸ Israel has historically received the greatest amount of military help from the US, but aid to Iraq and Afghanistan has mostly been of an economic kind as part of the US postwar reconstruction effort in those countries.⁹

CHINA'S INTEREST AS A DONOR

Governments providing foreign aid typically customise programmes to achieve their strategic, domestic and foreign policy objectives. China is not an exception to this rule.¹⁰ However, because China's foreign policy is so intertwined with its internal affairs, domestic imperatives drive its foreign policy and foreign aid programmes.¹¹ Several core interests, established and overseen by the Communist Party of China (CPC), serve as the foundation for domestic and foreign policy and determine Beijing's policy preferences. Among these fundamental interests are state sovereignty, national security, territorial integrity, national reunification, the political system established by the Constitution, overall social stability, and the fundamental safeguards for ensuring sustainable economic and social development. In particular, the principal objective of these foreign aid programmes is to create favourable external conditions for the achievement of China's core interests, particularly

⁷ James McBride, "How Does the US Spend Its Foreign Aid?," *Council on Foreign Relations*, last modified 1 October 2018, <https://www.cfr.org/backgrounder/how-does-us-spend-its-foreign-aid>.

⁸ James Roberts and Brett Schaefer, "The US Development Finance Corporation Is Failing to Counter China," *Background*, no. 3649, (2021): 1 – 18, <https://www.heritage.org/sites/default/files/2021-09/BG3649.pdf>.

⁹ John J. Mearsheimer and Stephen M. Walt, *The Israel Lobby and US Foreign Policy* (Macmillan, 2007).

¹⁰ Axel Dreher and Andreas Fuchs, "Rogue Aid? On the Importance of Political Institutions and Natural Resources for China's Allocation of Foreign Aid," *CEPR Policy Portal* 27 (2012).

¹¹ Jinghao Zhou, "China's Core Interests and Dilemma in Foreign Policy Practice," *Pacific Focus* 34, no. 1 (2019): 31–54.

its two centennial objectives:

"Finish building a moderately prosperous society in all respects by the centennial of the CPC in 2021, and transform China into a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious by the centennial celebration of the People's Republic of China in 2049, both of which are ambitious goals."¹²

As part of the "Chinese Dream," President Xi Jinping introduced the concept of "rejuvenation of the Chinese nation," with the goal of enabling China to "change the global landscape, which has been shaped by Western countries over the past two centuries during industrialisation."¹³ In addition to fostering a peaceful and secure environment for Chinese citizens and investments around the world, these foreign aid programmes aim to bring potential rival states within their sphere of influence. China's central government has pledged its commitment to ensuring the provision of fundamental safeguards that will ensure the country's sustainable economic and social development, both domestically and internationally.

Peace, security, and development assistance programmes carried out by China in collaboration with the UN and the African Union are intended to enhance Beijing's reputation as a responsible, major power that supports multilateralism in the resolution of global challenges. They portray China as a global power that is willing to provide public goods and services, like healthcare, that have been neglected by traditional powers such as the US. Chinese military assistance to domestic armed forces in conflict zones around the world helps to strengthen the country's international reputation as an environmentally conscious, socially responsible global power that is committed to providing public goods without expecting immediate returns. This helps to improve the country's social standing. The BRI, which has been dubbed "the project of the century" by Chinese President Xi Jinping, has been criticised for advancing China's self-serving economic interests.¹⁴ China has linked its aid strategies to the Sustainable Development Goals (SDGs) and Africa's Agenda 2063, resulting in the establishment of a China Development Fund to support the Belt and Road

¹² "Full Text: Resolution of the CPC Central Committee on the Major Achievements and Historical Experience of the Party over the Past Century," last modified 16 November 2021, https://english.www.gov.cn/policies/latestreleases/202111/16/content_WS6193a935c6d0df57f98e50b0.html.

¹³ Salvador Santino F. Regilme, Jr and Obert Hodzi, "Comparing US and Chinese Foreign Aid in the Era of Rising Powers," *The International Spectator* 56, no. 2 (2021): 114–31, doi:10.1080/03932729.2020.1855904.

¹⁴ Reid Standish, "Can The West Devise An Alternative To China's Belt And Road?," *Radio Free Europe/Radio Liberty*, 09:04:52Z, sec. China In Eurasia, <https://www.rferl.org/a/china-belt-and-road-west/31257440.html>.

Initiative. Chinese President Xi Jinping praised China's commitment to providing such public goods, claiming that it is a model for the rest of the world.

“These 17 Sustainable Development Goals are inextricably linked to the five pillars of the Belt and Road Initiative (BRI): policy coordination, facility connectivity, unimpeded trade, financial integration, and people-to-people exchanges... Country teams from the United Nations stand ready to assist Member States in strengthening their capacity and governance, as well as in achieving a harmonious and sustainable integration of the Belt and Road projects into their respective economies.”¹⁵

In other words, China's reputation as a major international development partner and supporter of multilateralism is improving. Chinese foreign aid is now administered by the China International Development Cooperation Agency (CIDCA), which was established in 2018 to ensure that Chinese foreign aid is targeted toward achieving these goals. The management and implementation of foreign aid was previously under the purview of more than 30 ministry-level agencies in China, which resulted in corruption, poorly managed projects, and the waste of aid funds and other resources that were unnecessary. Even more importantly, CIDCA is responsible for a variety of tasks, including the coordination of foreign aid planning and management.

“Improving the effectiveness of aid as a key foreign policy instrument, improving the strategic planning and overall coordination of aid, centralising aid management, reforming modes of aid delivery, and better serving China's overall diplomacy and the construction of the Belt and Road Initiative (BRI).”¹⁶

The CIDCA's mission is to facilitate the alignment of China's foreign aid with the country's foreign policy objectives, which explains why the agency is housed within the Ministry of Foreign Affairs of the People's Republic of China. Thus, China's foreign aid programmes are a reflection of the country's fundamental domestic and foreign policy objectives. Beijing's social reputation and legitimacy are being enhanced through these programmes, which are being implemented in regions where its rhetoric of South-South cooperation, win-win partnerships, and non-interference in the internal affairs of other countries is still resonant, including Latin America, Asia, the Pacific, and Africa.

¹⁵ “United Nations Poised to Support Alignment of China's Belt and Road Initiative with Sustainable Development Goals, Secretary-General Says at Opening Ceremony,” *United Nations*, last modified 26 April 2019, <https://www.un.org/press/en/2019/sgsm19556.doc.htm>.

¹⁶ Regilme and Hodzi, “Comparing US and Chinese Foreign Aid in the Era of Rising Powers.”

THE US' INTEREST AS A DONOR

The US foreign aid programmes are shaped by domestic political conditions. But unlike Beijing, which can plan its foreign aid programmes over longer periods due to its one-party system, Washington is constrained by electoral dynamics that affect the executive and legislative branches' strategies. An annual budget for foreign assistance programmes is developed by the White House and must be approved by Congress. As a result, it is heavily reliant on the executive and legislative branches of the US federal government.¹⁷

However, a reliable and predictable US foreign aid programme enjoys bipartisan support. This is one of the reasons why the Trump administration ran into opposition from both Democrats and Republicans when it tried to slash the US foreign aid budget. Despite Trump's initial opposition, he and his allies eventually gave in to public pressure, restructuring and expanding US foreign aid and official finance activities. The Better Utilization of Investments Leading to Development (BUILD) Act, which was quietly signed into law by President Donald Trump in 2018, aims to strengthen official development funding programmes in the US by establishing a new federal agency, US International Development Finance Corporation (DFC). DFC, which was established by the BUILD Act, is the US' global development bank. It “invests across sectors including energy, healthcare, critical infrastructure, and technology,” as well as “provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets.”¹⁸ When dealing with private sector partners from the US and the Global South, the DFC claims that it is committed to “high standards and respect[s] the environment, human rights, and worker rights” as key conditions when compared to Chinese development programmes, which do not explicitly invoke human rights and sustainability as their core justifications.¹⁹ The DFC's mission is to advance the foreign policy priorities of the US government while also stimulating economic development in the countries that receive assistance. As a result, Trump's BUILD Act demonstrates the enduring bipartisan support of the US Congress for the continuation of the updating of the US official finance strategy in the light of Beijing's expanding footprint in international development.

¹⁷ Keith E. Whittington and Daniel P. Carpenter, “Executive Power in American Institutional Development,” *Perspectives on Politics* 1, no. 3 (2003): 495–513.

¹⁸ Regilme and Hodzi, “Comparing US and Chinese Foreign Aid in the Era of Rising Powers.”

¹⁹ *Ibid.*

RECOMMENDATIONS

The approaches adopted by the US and China are both justifiable differently. So, Pakistan should keep in mind that the national interest plays an important role in this scenario, and the following recommendation can be drawn from the above discussion:

Pakistan needs hard infrastructure like railways, highways, and energy for its indigenous market as well. So, Pakistan must focus on China for the projects under CPEC but also revive its own economy.

As far as the US investment is concerned, Pakistan should continue to attract foreign direct investment since the US is still the biggest market for Pakistani exports.

Pakistan should consider narratology and the selection of an appropriate lexicon to further its national interest with China and the US.

Furthermore, Pakistan should focus on strengthening its economy and making itself relevant to both the US and China. This would assist us in breaking free from our geostrategic ties to large economies.

We are the fifth populous country in the world, which means we can be a big market for China and the US, so we must learn the ways to invest in human resources.

Conclusion

The above comparison of the US and Chinese aid programmes reveals several important points. China and the US have used foreign aid and government funding to advance their geopolitical and economic agendas. Both donors have used foreign aid to gain political influence in recipient countries. It helped their market expansion and wealth accumulation ambitions. In expanding and furthering their economic interests, the US is trying to manipulate China with institutions like OECD donors by making the definition of the terms objectively one-sided (from the western side). However, Chinese investment and models have been quoted by the World Bank as being as beneficial as the US model. China appreciates two-sided engagement without indulging in the donor-recipient relationship.