A Comparative Study on Chinese and Indian Development Cooperation Policy

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Introduction

• Why the topic?
  • Growing scale and importance of Chinese and Indian development cooperation
  • Limitations of current studies on “emerging donors”: single-country approach or blending all together, from the North’s perspectives
  • Shortage of exchanges of views between south-south cooperation providers on strategies and approaches of development cooperation

• Purpose
  • To provide a more nuanced understanding of the similarities and differences between India and China in conducting development cooperation
The Literature on India’s Development Cooperation

- Three strands of analyses
  - Basic introduction of Chinese and Indian development cooperation: evolution, aid volume, assistance forms, geographic allocations, and strategies and motives
  - Comparing China’s and India’s development cooperation policy with that of another country in general or in a specific region, e.g., India and South Korea, India and China in South Asia or Africa etc.
  - Studies on emerging donors in general: bi-polar views on the role of emerging donors

- On the whole, there is far less analysis of India’s foreign aid than that of China’s, and the literature seems much milder and less sensationalist than that on China’s

- Almost no Chinese literature comparing China and India in development cooperation
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• Similarities in evolution
  • Long history of receiving aid and was once one of the largest recipient countries
  • Long history of giving aid, back to the early 1950s
  • Political ideologies and foreign policy goals were once the major determinants in development cooperation policy making
  • “Mutual benefits” in economic terms emphasized since opening up of the economies
  • Expanding development cooperation scale and diversifying methods since the turn of the century
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• Shared Key Principles
  • Path dependencies: foreign policies in the 1950s and 1960s created path dependencies and ideologies that continue to shape both countries’ development cooperation policy-making and discourses, such as the “Five Principles of Peaceful Coexistence”, “non-aligned movement”, Group of 77
  • Mutual benefit; respecting the sovereignty; equal partnership and no strings attached; development cooperation is not charity to the poorer or being totally altruistic
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- Different aid scale, geographic allocation and institutional arrangement

<table>
<thead>
<tr>
<th>Categories</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale of Aid (2012)</td>
<td>About 1.3 billion USD</td>
<td>About 5 billion USD</td>
</tr>
<tr>
<td>%/GNI</td>
<td>0.13%</td>
<td>0.07% over the period of 2010-2012 (authors’ own calculation)</td>
</tr>
<tr>
<td>Forms of Aid</td>
<td>Grants, lines of credit</td>
<td>Grants, concessional loans, interest-free loans</td>
</tr>
<tr>
<td>Modality</td>
<td>Projects, technical assistance, scholarships, debt cancellation, humanitarian assistance</td>
<td>Projects, technical assistance, scholarships, debt cancellation, humanitarian assistance, medical teams abroad, volunteers</td>
</tr>
<tr>
<td>Key Responsible</td>
<td>Ministry of External Affairs, Exim Bank, Indian Council for Cultural Relations and Ministry of Commerce and Industry</td>
<td>Ministry of Commerce, Exim Bank, Ministry of Foreign Affairs, Ministry of Agricultural and Ministry of Education</td>
</tr>
<tr>
<td>Entities</td>
<td></td>
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<tr>
<td>Geographic allocations</td>
<td>Immediate neighbourhood and Africa</td>
<td>Asia, Africa and Latin America</td>
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<tr>
<td>Sectoral focus</td>
<td>Agriculture, ICT, infrastructure and transport</td>
<td>Infrastructure, productive sectors, health, education, prestige projects</td>
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- Development cooperation strategies and policies: similarities and differences
  - Similarities
    - No overarching development cooperation policy or clearly stated goals
    - A broad development strategy, with trade, FDI and aid its legitimate elements
    - Mostly through concessional loans
    - Widely using tied aid: justified by the mutual benefit principle and also cheaper and adaptable goods, services and technologies
    - Largely dealing with central government counterparts in identifying needs and implementing programs
    - Seldom engaging NGOs in development cooperation: both at policy-making and project implementation levels
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• Development cooperation strategies and policies: similarities and differences
  • Different focuses: soft infrastructure versus hard infrastructure
    ➢ India:
      ✓ capacity building and human resources at the core: flagship ITEC programs; about 58% of the country’s foreign aid budget spent on technical assistance from 2012 to 2013
      ✓ has programs, though small, in areas of democracy and human rights and is the second largest donor of the UN Democracy Fund
      ✓ India’s claim: a model of pluralistic, multicultural, democratic set up
      ✓ In general, more software-oriented, emphasizing on skill development and a people centric development approach, and helping gain more soft power for India
    ➢ China:
      ✓ Substantial aid goes to the field of infrastructure
      ✓ In general, more hardware infrastructure-oriented, to bring direct and visible benefits to the host country
      ✓ While China fills in the gap of infrastructure development left by traditional donors, it also faces increasing criticisms that its aid does not benefit local communities and might damage environment
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- Development cooperation strategies and policies: converging or diverging?
  - China increased allocations to its human resource development program and economic infrastructure projects decreased from 61% before 2009 to about 45% for 2010 to 2012
  - The number of people trained in China jumped from 8,109 in 2010 to 17,072 in 2012, an average increase of 55%.
  - India is changing its traditional long-term and soft power approach to seek direct benefits, quantity and significance are on the rise in infrastructure building and large-scale projects
  - Both countries seem to draw lessons and experiences from their past and from each other, and are mixing up the soft and hard infrastructure approaches.
Challenges and Future Prospects

• Institutional constraints in the shortage of staff
• Lack of consultation with local stakeholders in the recipient countries
• Limited investment in monitoring and evaluation
• Transparency and justifying to domestic publics (and international community?)
• Coordination with the traditional Western donors: currently prefer coordination with SSC providers or through the UN; trade-off: Western criticisms or complaints from developing countries
Concluding Remarks

• Possible Cooperation between India and China in Development Cooperation?
  • Coordinated and advanced similar positions in global trade and climate change negotiations
  • Active participants in many of the same multilateral and regional fora
  • The BRICS Bank and AIIB
  • Triangular cooperation projects in South Asia?
  • Potential economic benefits likely to outweigh the potential strategic costs (after all, the port, airport and power projects funded by each side is also benefiting the other, as well as its neighbors)
  • First step might be including the development cooperation into the agenda of the India-China strategic dialogues
Thank you!