CHINA, INDIA, AND A NEW AGE OF DEVELOPMENT COOPERATION

AUSTRALASIAN AID CONFERENCE, 2018, CANBERRA, AUSTRALIA

ANTHEA MULAKALA, THE ASIA FOUNDATION
Demyystifying SSC

South South Cooperation
<table>
<thead>
<tr>
<th>Concept</th>
<th>SSC</th>
<th>Traditional Aid</th>
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<tbody>
<tr>
<td>Development</td>
<td>Present challenge faced by countries</td>
<td>Origins in colonialism and post war construction</td>
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<td></td>
<td>Growth-centric</td>
<td>Aid-centric</td>
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<td></td>
<td>Shared experience between partners at similar levels of development</td>
<td>First world/third world divide</td>
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<td></td>
<td>“Bootstrapping” – prioritizing state capabilities to address challenges</td>
<td>Washington consensus – liberalization as the pathway to development</td>
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<td>Partnership</td>
<td>Reciprocal</td>
<td>Hierarchical</td>
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<td></td>
<td>Both partners at similar stages of economic development</td>
<td>Driven by sense of historical responsibility</td>
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<td></td>
<td>Voluntary</td>
<td>Large differences in stages of economic development</td>
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<td>Commitment-based</td>
</tr>
<tr>
<td>Modalities</td>
<td>Tied aid</td>
<td>Discouraged tied aid</td>
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<td></td>
<td>Lack of transparency</td>
<td>Consolidated statistics</td>
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<td></td>
<td>Limited monitoring and evaluation</td>
<td>Systematic impact assessment</td>
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<td></td>
<td>Opaque hybrid financing combining aid and commercial investment</td>
<td>Grants or highly concessional credits</td>
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## Features of SSC and Traditional Aid Prior to 2000

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<tr>
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</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Mutual benefit and growth, solidarity</td>
<td>Poverty reduction and social development (often masking political and economic drivers)</td>
</tr>
<tr>
<td>Sectors</td>
<td>Hardware, economic and technical cooperation</td>
<td>Grants for budget support and social sector, governance</td>
</tr>
<tr>
<td>Institutional Arrangements/Architecture</td>
<td>Limited designated agencies</td>
<td>Specialized agencies</td>
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<td></td>
<td>No tradition of development studies</td>
<td>History of development studies</td>
</tr>
<tr>
<td>Conditionality</td>
<td>No strings attached, non interference</td>
<td>Policy conditionalities</td>
</tr>
<tr>
<td>Key actors</td>
<td>State, State-owned enterprises, private sector</td>
<td>State and NGOs</td>
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<tr>
<td></td>
<td>no role for non-state actors</td>
<td></td>
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<tr>
<td>Working with partners and coordination</td>
<td>Bilateral relations preferred</td>
<td>Harmonization, coordination of bilateral and multilateral efforts</td>
</tr>
<tr>
<td></td>
<td>Limited coordination and dialogue with other actors</td>
<td>Centrality of the DAC</td>
</tr>
<tr>
<td>Concept</td>
<td>China</td>
<td>India</td>
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<tr>
<td>Fundamental Principles</td>
<td>Mutual benefit, attaching no political conditions, respect for sovereignty and non-interference</td>
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</tr>
<tr>
<td>Approach</td>
<td>Transformational Investment</td>
<td>Development Compact</td>
</tr>
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<td>Beijing Consensus</td>
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<tr>
<td>Sectors</td>
<td>Infrastructure, productive sectors, health, education, prestige projects</td>
<td>Agriculture, information and communications technology, infrastructure and transport, S&amp;T, health</td>
</tr>
<tr>
<td>Percentage of GNI</td>
<td>0.07 per cent over the period of 2010-2012</td>
<td>0.13 per cent (2012)</td>
</tr>
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</table>

Sources: MEA (2012); SCIO (2014). Adapted from Li and Zhou, 2016
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<tr>
<th>Concept</th>
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<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic Allocations</td>
<td>Asia, Africa, Latin America and the Pacific</td>
<td>Immediate South Asia neighbourhood and Africa</td>
</tr>
<tr>
<td>Modalities</td>
<td>Projects, technical assistance, scholarships, debt cancellation, humanitarian assistance, medical teams abroad, volunteers, new “funds”</td>
<td>Projects, technical assistance, scholarships, debt cancellation, humanitarian assistance</td>
</tr>
<tr>
<td>Coordination Among Donors</td>
<td>Limited with traditional donors and unlikely to join OECD-DAC</td>
<td>Limited with traditional donors and unlikely to join OECD-DAC, but active coordination with some developing countries</td>
</tr>
<tr>
<td>Partnerships</td>
<td>Expanding role for NGOS and private sector</td>
<td>Limited role for NGOs</td>
</tr>
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<td></td>
<td>Slowly expanding triangular partnerships</td>
<td>Increased multilateralism</td>
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<td></td>
<td>Increased multilateralism</td>
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THE NUMBERS CHALLENGE

COUNTING IS HARD
If we were to count Chinese foreign aid, using OECD-DAC parameters, China disbursed approx. $5.4B in 2015.

Figure 1: Net disbursement of China’s foreign aid

- Multilateral: International organizations
- Bilateral: Net disbursement of concessional loans
- Bilateral: Grants and interest-free loans
- For reference: Net disbursement of preferential export buyer's credits
COMPARISON OF DAC MEMBERS’ NET ODA AND CHINA’S NET FOREIGN AID (JICA)
AUSTRALIAN AND INDIAN AID 1999-00 TO 2014-15

Converted into USD using purchasing power parities; at current prices

Howes and Pryke, 2016
GEOGRAPHIC SPREAD

China

- LAC, Pacific, Europe, 17%
- Asia, 31%
- Africa, 52%

India

- Bhutan
- Afghanistan
- Nepal
- Sri Lanka
- Bangladesh
- Maldives
- Other
- Eurasia
- Africa

Zhou, 2016
Howes and Pryke, 2016
“Aid-like” flows are only one part of the SSC pie
CHINA’S SSC FINANCE

Chinese Foreign Aid
$5.4 B (2015)

Exim Bank
$173B (2015)

China Development Bank
$127B (2015)
INDIA’S GRANTS AND LOANS

Grants 2007-2014

- Bhutan: 54%
- Afghanistan: 11%
- Maldives: 4%
- Nepal: 5%
- Myanmar: 3%
- African Countries: 4%
- Sri Lanka: 5%
- Bangladesh: 4%
- Others: 10%

India’s EXIM Bank LOCs, 2007-14

- Asia: 36%
- Africa: 59%
- Americas: 2%
- Europe and CIS: 2%
- Oceania: 1%

Mullen, ICDR, 2014
TRANSFORMATIONAL INVESTMENT
China is willing to share its development experience with all countries. We will not interfere in other countries’ internal affairs. We will not export our system of society and development model, and even more will not impose our views on others.”

“In advancing the Belt and Road, we will not re-tread the old path of games between foes. Instead we will create a new model of cooperation and mutual benefit,”

Xi Jinping
Belt and Road Forum, May 2017
Projects subsumed under China’s Belt and Road initiative

- Silk Road Economic Belt
- New Maritime Silk Road

Key:
- Orange: Gas pipelines
- Gray: Railroad
- Green: Oil pipelines
- Red: Proposed economic corridors
- Blue: Ports with Chinese engagement
- Black: Planned or under construction

Map showing the key projects and routes as of December 2015.
INDIA’S “RESPONSE” TO THE BRI

Asia Africa Growth Corridor

Bangladesh Bhutan India Nepal Initiative
MULTILATERALISM
BANKS, FUNDS, AND PLATFORMS

Multilateral Finance
AIIB, NDB

UN Funds and Forums

BRI, AAGC, BBIN, BIMSTEC

G20

Regional Forums
BRICS, IBSA, ASEAN, IORA
TRIANGULAR COOPERATION

Traditional Donor

USA
India
Asia/Africa

Australia
China
Cambodia

Australia
Pacific

India
UK
East Africa

Pivot Country

Partner Country
CIVIL SOCIETY
EXPANDING ROLE OF NGOS AND PRIVATE SECTOR

**China**
- 500 + Chinese NGOs engaged in international cooperation (0.13% of total NGOS)
- Largely funded by general public and private sector
- Increasing policy role and consultation with gov’t including drafting of articles regarding NGO participation in gov’t funded projects
- New South-South Cooperation Assistance Fund
- Private sector working in partnership with NGOs overseas in projects, to address sustainability, and on community engagement

**India**
- CSOs play a negligible role in SSC
- Strict regulatory environment which does not allow CSOs to use their income outside India
- Policy consultation through Forum for International Development Cooperation (FIDC)
- Indian CSOs have been pushing MEA for a White Paper
- Private sector required to spend 2% of profits on CSR, but not overseas
INSTITUTIONAL ARCHITECTURE
INSTITUTIONAL ARCHITECTURE

**China**

- China is moving towards the creation of a single agency – most likely under MFA, more than 20 ministries currently involved
- Growth of Chinese scholarship, thought leadership on development (universities, thinktanks)
- SiLKs

**India**

- Development Partnership Administration – under MEA, but many ministries have programs
- Leading thinkers on SSC – mostly concentrated in RIS
- Forum for International Development Cooperation
- Delhi Process
NEW WORLD ORDER?
THE ALTERNATE SCENARIO
With the rise of the South (and Asia in particular), development cooperation is moving “beyond aid”
This has opened up space for new and innovative partnerships
China and India are leaders, defining both the strategies and discourse of cooperation in the 21st century

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