



# Asia Pacific Bulletin

EastWestCenter.org/APB

Number 381 | May 23, 2017

## China and the United States as Aid Donors: Past Trends and Future Trajectories

BY PATRICK KILBY

As the Trump administration establishes its foreign policy credentials in the Asia Pacific region where China plays an increasingly central role, it issues mixed signals on the direction of the US foreign aid program. On the one hand, President Trump has announced cuts in reproductive health programs, and proposed across the board cuts of 25% in the U.S. Agency for International Development (USAID) budget, but there have been no announcements on the US foreign aid program more generally, nor have senior appointments been made to USAID to guide a new program.

Meanwhile the Chinese government is ramping up its foreign aid and investment program. The One Belt One Road (OBOR) initiative is supported with a Chinese commitment of \$40 billion to the Silk Road Fund to expand both overland and maritime trade links between China and Europe, Central and South Asia, and Africa. The challenge for the United States is how to engage with Chinese Premier Xi Jinping who repeatedly references historical achievements and claims as he seeks to make China great again.

Historically the US and China have been rivals in the foreign aid space since the 1950s. The Asian African Conference at Bandung, Indonesia in April 1955, saw the political leadership from 29 developing countries come together to map out a path for an assertive voice from the global South. The first clause of the Bandung declaration called for increased South-South "...economic cooperation on the basis of mutual interest and respect for national sovereignty." China took this call to heart and commenced a program of foreign aid starting with Egypt in 1956, and expanding into the rest of Africa and Asia. In 1964, on a visit to Africa, Zou Enlai enunciated his eight principles of Chinese Economic and Technical Assistance. These emphasized mutual benefit rather than 'unilateral alms', non-interference in the recipient government's policy and politics, and self-reliance. Chinese aid flourished in the 1970s reaching over 70 countries with primarily smaller local projects. There was one flagship project: the 2,000km Tazara railway linking the copper mines of Zambia to Tanzanian ports and thus by-passing Rhodesia and South Africa, which were seen as dangerous colonial remnants. With this one project China made an unambiguous statement of solidarity with the global South. After a hiatus in the 1980s when China's own growth was given priority, its aid program increased rapidly in the 1990s following the Tiananmen Square crackdown and the associated condemnation from the West. In the 2010s there has been a further expansion of China's foreign aid program with OBOR to build closer economic and trade relationships across Asia.

**Patrick Kilby, Visiting Fellow at the East-West Center in Washington, explains that "Zou Enlai enunciated his eight principles of Chinese Economic and Technical Assistance. These emphasized mutual benefit rather than 'unilateral alms', non-interference in the recipient government's policy and politics, and self-reliance."**

The East-West Center promotes better relations and understanding among the people and nations of the United States, Asia, and the Pacific through cooperative study, research, and dialogue. Established by the US Congress in 1960, the Center serves as a resource for information and analysis on critical issues of common concern, bringing people together to exchange views, build expertise, and develop policy options.

Asia Pacific Bulletin | May 23, 2017

**“This is quite different from the US aid trajectory, which has its origins in the Cold War with aid to Greece and Turkey in early 1947 to prevent them falling into the Soviet camp.”**

The *Asia Pacific Bulletin* (APB) series is produced by the East-West Center in Washington.

APB Series Editor: Dr. Satu Limaye  
APB Series Coordinator: Peter Valente

The views expressed in this publication are those of the author and do not necessarily reflect the policy or position of the East-West Center or any organization with which the author is affiliated.

This is quite different from the US aid trajectory, which has its origins in the Cold War with aid to Greece and Turkey in early 1947 to prevent them falling into the Soviet camp. Despite Truman’s point four program for foreign aid, a skeptical Congress kept aid volumes low and tied it to the Cold War security agenda of the Eisenhower administration, with any aid increase only matching that of the Soviet Union. Even John F. Kennedy’s Partners for Progress initiative was short lived as subsequent presidents and the US Congress saw foreign aid as a lower priority. Between 1962 and 1968 the budget outlays for foreign aid halved as the Soviet Union reduced its aid program. Kennedy, though, did put the foreign aid program under one agency, USAID, and gave it a longer term outlook with multi-year projects. The focus — like in the 1950s — was on Cold War priorities and securing allies. The idea of democratization was not strong and right wing dictatorships were preferred as allies over left wing democracies during the Cold War. The focus was on promoting free market capitalism and opposing state led development. This was despite the successes of Japan and South Korea, and later China. While the Marshall Plan to rebuild Europe and secure it as a bulwark against communism was a massive expenditure, it did not extend to the broader aid program to the Global South. While the plan kick started the US and European economies, it was to be a one-off, and Congress was trenchantly opposed to it being expanded beyond Europe and Japan. With the end of the Cold War, the focus of the US aid program shifted to democratization under Clinton, and under George W. Bush after the September 11 attacks, it was expanded to support to the War on Terror.

With this US history of using foreign aid to advance its own interests, the Trump administration has an opportunity to engage positively with China’s economic expansion into Central Asia. However, such engagement should present a shift from the earlier direction of US foreign aid of containing first communism, then the War on Terror. China’s strategy to focus westward to Central Asia seems to avoid being ‘contained’ in the South China Sea. During the Cold War China’s focus was on Africa to build links and have allies in the United Nations, and later to gain access to resources and markets for its products. In the 2010s the focus has shifted to Central Asia — this time to build overland and maritime transport links to both old and new markets. The OBOR project also provides options in trade routes so if conflict arises with Russia, Japan, or the United States in the South China Sea or elsewhere, other routes are available. It also enables the use of its excess industrial capacity to build these new ‘highways’. Like the Marshall Plan before it, a massive expenditure off shore puts off a recession back home. The challenge for the Trump administration is that China will be the dominant economic power across Asia, and accommodations will be made by its neighbors as realpolitik demands. The United States needs to be part of that process, and engage both directly with China and the region in how it can be part these initiatives. The mooted cuts in the US aid program come at a bad time and will have an effect on the US’s role in the global marketplace of ideas of the best way to use foreign aid. The US aid programs since the 1950s have been used to varying degrees to promote liberal values. To cut back US aid at a time when there are challenges to these values from many directions, will be an important opportunity missed.

Patrick Kilby is a Senior Lecturer researcher and convener of the Master of Applied Anthropology and Participatory Development Program at the Australian National University. He is also a visiting fellow at the East-West Center in Washington, and can be contacted at [KilbyP@EastWestCenter.org](mailto:KilbyP@EastWestCenter.org).