

SOUTH-SOUTH DEVELOPMENT COOPERATION: ANALYSIS OF INDIA AND CHINA'S MODEL OF DEVELOPMENT COOPERATION ABROAD

Published on December 20, 2017

Kashyap Arora

Indian Development Cooperation Research
(IDCR) Program, Centre for Policy Research

Dr Rani D Mullen

Indian Development Cooperation Research
(IDCR) Program, Centre for Policy Research

INDIA

India has been engaged in development cooperation since independence. Its early development cooperation initiatives were directed towards postcolonial states. These relations were formed keeping in mind the objectives of securing position and goodwill in South Asia, and cementing Non-Aligned Block during the cold war. However, a major impetus to India's development cooperation overseas came post-liberalization of Indian economy in 1990s. India's flourishing economy resulted in a more proactive foreign policy and propelled it to seek weightage in the global economy.¹

By 2003-04, India had added host of initiatives to its practice of development cooperation. These included provision of loans, grants, and project assistance to countries in South Asia, Africa and Latin America, cancellation of debt from highly indebted countries, and relief assistance to southern partners. Reflecting its growing economic interests, India since 2003-04 also started extending concessional credit lines managed by the EXIM Bank, termed as Lines of Credit (LOCs). These concessional credit lines have significantly raised the quantum of India's development cooperation towards its southern partners. Over the last decade, the Ministry of Finance along with the EXIM Bank of India has also become prominent in India's development cooperation overseas especially considering geo-strategic and commercial nature of such initiatives. In 2012, the Indian government also established the Development Partnership Agreement (DPA) housed within the Ministry of External Affairs (MEA).²

Nature of India's development partnerships abroad

India's development cooperation abroad is demand-driven, politically non-conditional, and based on the principles of mutual benefit and equal respect towards sovereign nations. This form of development partnership with benefits accruing to both India and the recipient partner nations is warranted by India's own development needs. Moreover, India's development partnership to a large extent pushes its own economic, geo-strategic and global interests including regional stability and security, greater role at multilateral institutions as well as access to natural resources. Thus, principles of south-south cooperation are clearly reflected in India's development cooperation framework.³

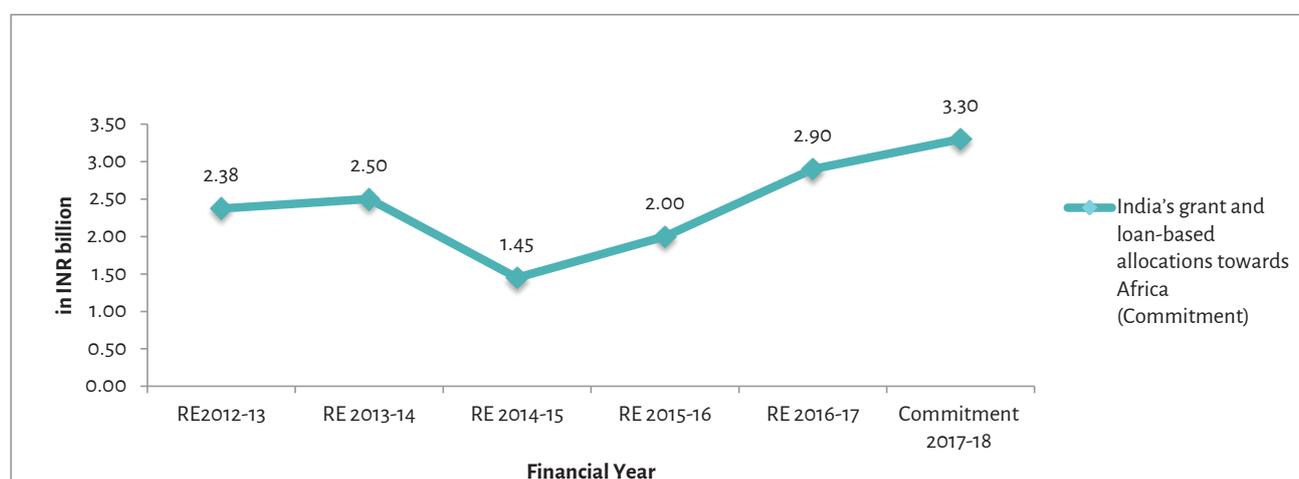
India's development partnership is also viewed favorably among the southern states due to India's own development experiences and similarities especially in terms of capacity. Further, India also takes the route of development through growth in the recipient developing nations and provides aid, which is affordable, and comprehensive in nature blending instruments such as investments, export credits, and technology transfer. Indian private sector has also been

playing a pivotal role in development initiatives particularly in the African continent, where majority of development cooperation is undertaken through disbursement of concessional credit lines (LOCs). This along with the role played by EXIM Bank of India has drastically improved India's lending capacity and created innovative models of public-private development partnerships.⁴

However, there are significant shortcomings associated with India's development cooperation abroad. These include bureaucratic delays, poor implementation and

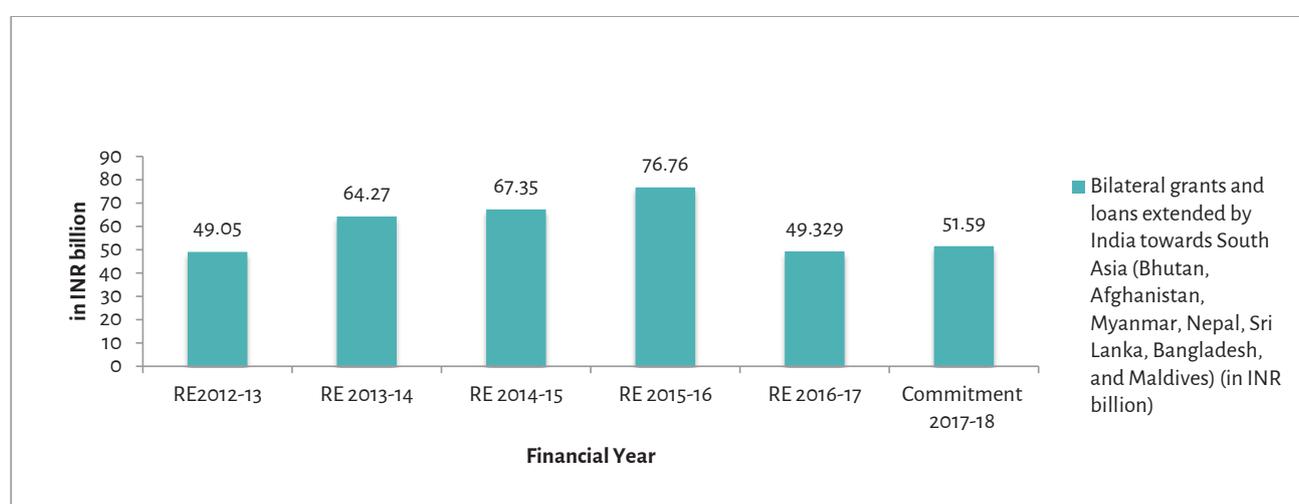
management. Importantly, India is yet to come out with an official document stating its vision and goal for development cooperation practices abroad, thus, compromising transparency and accountability. Moreover, it also needs to carve a substantive role for civil society in its development partnerships abroad and must place development cooperation in context of changing global development architecture especially with emergence of bodies such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB).⁵

Figure 1: India's grant and loan-based allocations towards Africa (Commitment)



Source: Indian Development Cooperation Research (IDCR) Program at the Centre for Policy Research

Figure 2: Bilateral grants and loans extended by India towards South Asia (Bhutan, Afghanistan, Myanmar, Nepal, Sri Lanka, Bangladesh, and Maldives) (in INR billion)



Source: Indian Development Cooperation Research (IDCR) Program at the Centre for Policy Research

CHINA

While trying to understand the nature of China's development cooperation overseas, it is important to keep in mind China's domestic polity make up with the Communist party given paramount status along the fact that it is a manifestation of East Asian development model. These elements of this trickle down in China's approach towards development cooperation overseas. For instance China's development initiatives abroad limit the role of civil society and NGOs to a large extent and is not as comprehensive and transparent as that of western donors.⁶

Moreover, China's own historical development experiences particularly during the reform period between 1978-85 warrant a practical outlook towards development cooperation. In this respect, China sees its development cooperation abroad as a horizontal and mutually beneficial economic engagement. The Chinese government also came up with its first 'White Paper on Foreign Aid' in April 2011. Important principles underpinning the White Paper

included assisting recipient countries to build their capacity for development, paying greater attention to reform and innovation, imposing no political conditionality and also adhering to the principles of equality, mutual benefit and common development. This was followed by a second white paper on foreign aid (July 2014), which besides reiterating principles in the first White Paper added the principle of 'keeping promises', thus, highlighting China's commitment towards its overseas development projects.⁷

China while disbursing development assistance overseas, also upholds mutual respect for the sovereignty of the recipient nation and doesn't endorse a particular path for development. This is a practice followed by India as well and typical of the south-south cooperation model. Moreover, majority of development cooperation extended by China and India is based on demands of the recipient country's government. However, having said this, one can still not rule out regional and global geopolitical aspirations behind such type of cooperation.⁸

Figure 3: Top 10 recipients of China's official development assistance and other official flows

Top 10 Recipients of Chinese Official Development Assistance	Top 10 Recipients of Chinese Other Official Flows
<ul style="list-style-type: none"> Cuba (\$6.7 billion) 	<ul style="list-style-type: none"> Russia (\$36.6 billion)
<ul style="list-style-type: none"> Cote d'Ivoire (\$4.0 billion) 	<ul style="list-style-type: none"> Pakistan (\$16.3 billion)
<ul style="list-style-type: none"> Ethiopia (\$3.7 billion) 	<ul style="list-style-type: none"> Angola (\$13.4 billion)
<ul style="list-style-type: none"> Zimbabwe (\$3.6 billion) 	<ul style="list-style-type: none"> Laos (\$11.0 billion)
<ul style="list-style-type: none"> Cameroon (\$3.4 billion) 	<ul style="list-style-type: none"> Venezuela (\$10.8 billion)
<ul style="list-style-type: none"> Nigeria (\$3.1 billion) 	<ul style="list-style-type: none"> Turkmenistan (\$10.1 billion)
<ul style="list-style-type: none"> Tanzania (\$3.0 billion) 	<ul style="list-style-type: none"> Ecuador (\$9.7 billion)
<ul style="list-style-type: none"> Cambodia (\$3.0 billion) 	<ul style="list-style-type: none"> Brazil (\$8.5 billion)
<ul style="list-style-type: none"> Sri Lanka (\$2.8 billion) 	<ul style="list-style-type: none"> Sri Lanka (\$8.2 billion)
<ul style="list-style-type: none"> Ghana (\$2.5 billion) 	<ul style="list-style-type: none"> Kazakhstan (\$6.7 billion)

Source: AidData, Institute for the Theory & Practice of International Relations, William & Mary

Figure 4: Brief summary: Comparative Study of India and China's Development Cooperation

Similarities
Major players in South-South Cooperation (SSC): Both India and China's development cooperation framework reflect principles of South-South cooperation especially when we consider its more pragmatic definition. India and China's development partnerships abroad warrant a mutually beneficial more horizontal relation without any political conditionality or interference in recipient nation's development path.
Seldom involve NGOs in their development cooperation abroad both at policy-making and project implementation levels.
Follow a comprehensive form of development cooperation, which involve blending of different instruments including export credit, investment flows and technology transfer.
Widely disseminated in form of concessional loans.
A broader development cooperation strategy mainly based on the principle of development through growth.
Important contributors to the shaping of new form of global development architecture especially through support towards new multilateral institutions including the NDB and the AIIB.
Affordable and Adaptable form of development cooperation
Differences
India is yet to come out with an official policy document envisaging nature of its development cooperation while China has produced two official white papers on its development cooperation policy.
Difference in the institutional structure. China's foreign aid policy and implementation are primarily governed by four entities, namely: the State Council, the Ministry of Finance (MOF), the Ministry of Commerce (MOFCOM) and the Ministry of Foreign Affairs (MOFA).
India's development cooperation emphasizes on skill development while China emphasizes more on infrastructure development. However, in recent years, there has been a change in the picture though to a limited extent.
Indian development cooperation till date suffers from problems with regards to project implementation and management mainly arising from beauracratc delays, fund shortages etc. China's development initiative face criticism of being less fruitful to the local communities and undertaking blatant ignorance of local environmental conditions.

CONCLUSION

South-South model of development cooperation followed by economies including India and China is being viewed favorably by recipient economies. This is primarily because of no interference principle followed by the donor country in recipient country's internal affairs, no political conditionality and a more horizontal relationship. Further, these countries' development experience in the face of scarce resources makes them credible development partners. Crucially, western donors also stand to benefit by learning from South-South development model be it through collaboration with countries such as China and India or by sharing of knowledge. In this respect, initiatives including ad vocation towards extending the domain of BRICS

nations 'New Development Bank' towards greater sharing of knowledge and commitments including establishment of an International Knowledge Development Centre under the Development Research of the State Council in China warrant attention. Crucially, Beijing also announced the establishment of an assistance fund for South-South cooperation with an initial commitment of US\$ 2 billion to assist developing countries in incorporating post-2015 development agenda. Thus, it would be safe to conclude that both China and India hold regional and global influence and are emerging as significant players in the global development architecture. Moreover, DAC countries also cannot risk ignoring importance of southern donors in the global development architecture.

NOTES

1. See "Shifting Currents: India's Rise as a Development Partner", November 2015, United Nations University Centre for Policy Research (UNU-CPR), available at <https://pdfs.semanticscholar.org/7aa5/105535c440c452a4694602ddd31d56b1c68b.pdf>; "The State of Indian Development Cooperation: A Report", Indian Development Cooperation Research (IDCR), 28th March, 2014, available at <http://www.cprindia.org/research/reports/state-indian-development-cooperation-report>, last accessed on 11th December, 2017.
2. See "5 Predictions for India's Development Cooperation Under New Government", The Asia Foundation, 28th May, 2014, available at <https://asiafoundation.org/2014/05/28/5-predictions-for-indias-development-cooperation-under-new-government/>; "The State of Indian Development Cooperation: A Report", Indian Development Cooperation Research (IDCR), 28th March, 2014, available at <http://www.cprindia.org/research/reports/state-indian-development-cooperation-report>, last accessed on 11th December, 2017.
3. See "Shifting Currents: India's Rise as a Development Partner", November 2015, United Nations University Centre for Policy Research (UNU-CPR), available at <https://pdfs.semanticscholar.org/7aa5/105535c440c452a4694602ddd31d56b1c68b.pdf>; "The State of Indian Development Cooperation: A Report", Indian Development Cooperation Research (IDCR), 28th March, 2014, available at <http://www.cprindia.org/research/reports/state-indian-development-cooperation-report>, last accessed on 11th December, 2017.
4. See "Shifting Currents: India's Rise as a Development Partner", November 2015, United Nations University Centre for Policy Research (UNU-CPR), available at <https://pdfs.semanticscholar.org/7aa5/105535c440c452a4694602ddd31d56b1c68b.pdf>; "The State of Indian Development Cooperation: A Report", Indian Development Cooperation Research (IDCR), 28th March, 2014, available at <http://www.cprindia.org/research/reports/state-indian-development-cooperation-report>, last accessed on 11th December, 2017.
5. See "Shifting Currents: India's Rise as a Development Partner", November 2015, United Nations University Centre for Policy Research (UNU-CPR), available at <https://pdfs.semanticscholar.org/7aa5/105535c440c452a4694602ddd31d56b1c68b.pdf>; "The State of Indian Development Cooperation: A Report", Indian Development Cooperation Research (IDCR), 28th March, 2014, available at <http://www.cprindia.org/research/reports/state-indian-development-cooperation-report>, last accessed on 11th December, 2017.
6. See "China's New Silk Road to Development Cooperation: Opportunities and Challenges", November, 2015, United Nations University Centre for Policy Research, available at http://i.unu.edu/media/cpr.unu.edu/attachment/1803/UNUCPR_ChinasNewSilkRoad_Gu_.pdf, last accessed on 11th December, 2017.
7. See "China's New Silk Road to Development Cooperation: Opportunities and Challenges", November, 2015, United Nations University Centre for Policy Research, available at http://i.unu.edu/media/cpr.unu.edu/attachment/1803/UNUCPR_ChinasNewSilkRoad_Gu_.pdf; "Full Text: China's Foreign Aid (White Paper)", 21st April, 2011, China Daily, available at <https://www.eu-china.net/upload/pdf/nachrichten/2011-04-21Chinas-ForeignAid-WhitePaper.pdf>, last accessed on 11th December, 2017.
8. See "China's New Silk Road to Development Cooperation: Opportunities and Challenges", November, 2015, United Nations University Centre for Policy Research, available at http://i.unu.edu/media/cpr.unu.edu/attachment/1803/UNUCPR_ChinasNewSilkRoad_Gu_.pdf, last accessed on 11th December, 2017.