

Comparing PRC and U.S. Foreign Assistance Approaches

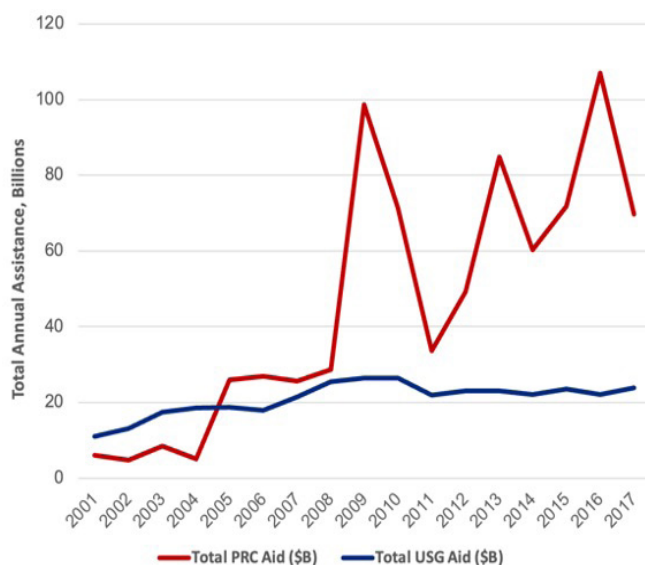
Top-Level Summary

- **USG and PRC approaches to foreign assistance are qualitatively different: While the USG provides grants and humanitarian assistance targeted for development, the PRC provides loans to build new markets for PRC goods.**
- **PRC assistance is concentrated in a few countries: PRC flows are nearly quintuple USG flows in the past decade, but PRC assistance is concentrated among PRC allies and neighbors, whereas USG assistance is more evenly distributed among lower-income countries.**
- **PRC assistance is directed to Africa: A plurality (42%) of PRC assistance goes to Africa. Even though PRC assistance dramatically declined after COVID, Africa received more assistance from the PRC than from the USG in 2022.**

Background on PRC Assistance

In recent years, the PRC has expanded its role in global foreign assistance. For example, the ambitious Belt and Road Initiative (BRI) aims to spend over \$1 trillion on global infrastructure projects—roughly seven times the size of the Marshall Plan in real dollars. Additionally, the initiative will affect countries that account for more than 60% of the world's population and one-third of global GDP (Perlez & Huang, 2017). The sheer magnitude of PRC foreign assistance is captured in Figure 1, showing the spike in PRC assistance at the height of the Great Recession and again in 2013 when the BRI was first announced by President Xi Jinping (Dreher et al., 2017).

FIGURE 1. TOTAL AMOUNT OF ASSISTANCE FROM PRC AND USG



USG and PRC Approaches are Qualitatively Different

U.S. foreign assistance is primarily in the form of free grants and focuses on public health, economic development, and democratic governance—all of which fall under traditional official development assistance (ODA). In contrast, PRC assistance focuses on strengthening diplomatic ties and securing the PRC's long-term economic interests. Specifically, PRC policy communiques have noted that one of the chief aims of the BRI is to develop a healthy export market for PRC products by expanding the infrastructure capacity of prospective trading partners (CSIS, 2020). Unlike USG assistance, PRC projects are financed through loans with onerous interest rates rather than grants that do not require repayment (Malik et al., 2021).

Further, PRC-funded projects either come with undue economic burdens for the recipients or have little oversight in corrupt nations, thereby hindering the growth of accountable institutions (Zengerle, 2018). Additionally, while most Western donors tend to hire local workers to complete their projects, the PRC often brings in Chinese laborers to complete large infrastructure projects (Larmer, 2017).

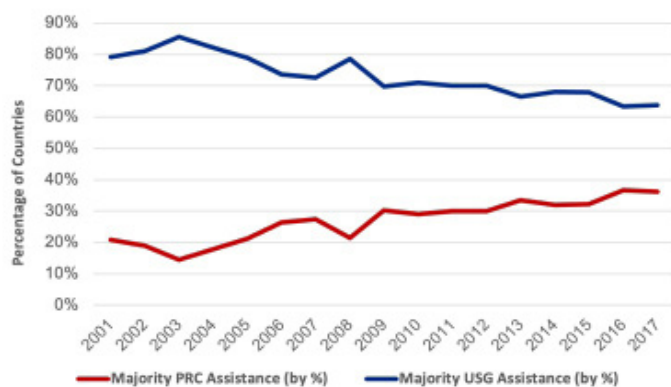
PRC Assistance is Concentrated in a Few Countries

In comparison with PRC aid, U.S. foreign assistance is relatively more evenly distributed to developing nations based on need. Between 2001 and 2017, the top ten recipients of PRC aid accounted for \$314.6 billion in assistance—40.4% of all PRC outflows. The top ten recipient of USG aid received only 27.11% of all USG assistance, accounting for \$146.2 billion in aid. This heavy skew in PRC assistance is due to Beijing leveraging its overseas financing for economic and security purposes—concentrating the bulk of its investment in a small

handful of nations, such as Pakistan, Russia, and Angola. In 2016, the PRC provided Pakistan with \$6.2 billion, Russia with \$16 billion, and Angola with \$19.2 billion. In contrast, the single largest recipient of USG foreign assistance in 2016 was Afghanistan, at \$1.26 billion.

This difference in **USG** and **PRC** assistance strategies is captured in Figure 2, which shows the percentage of countries that receive the majority of their foreign assistance from the USG or the PRC. Even though total PRC assistance has skyrocketed over the past two decades, most nations still receive more assistance from the USG.

FIGURE 2. SHARE OF COUNTRIES RECEIVING MAJORITY OF ASSISTANCE FROM PRC AND USG



PRC Flows are Directed to Africa

The PRC has long looked to Africa as a source of economic opportunity and a burgeoning market for PRC goods. Africa was the largest recipient of PRC ODA between 2001 and 2017, receiving 42% of all PRC assistance (Malik et al., 2021). In 2009, the PRC surpassed the United States as the continent's largest trading partner, with the PRC listed as the top exporter to 19 out of 48 countries in sub-Saharan Africa. Throughout the 2000s, the PRC's Export-Import Bank loaned roughly \$65 billion to the continent, more than 500% of combined World Bank loans to Africa during this same time period. From 2015 to 2016, PRC-funded projects increased by more than 100% as BRI first began to ramp up (USGLC, 2018).

However, PRC ODA dropped precipitously in 2020 due to the global pandemic and an inward shift in President Xi's policy focus. PRC ODA to Africa was no exception: at the triennial 2021 Forum on China-Africa Cooperation, the PRC committed only \$40 billion to the continent, a 33% reduction in PRC investment compared to 2018 and 2015 commitments (U.S. Foreign Affairs Committee, 2022). Nonetheless, 2022 PRC assistance to sub-Saharan Africa through the BRI still outstripped USG assistance in FY2023, with the PRC providing \$7.5 billion in infrastructure investment compared to \$6 billion in foreign assistance provided by USAID, DHHS, MCC, Peace Corps, and other members of the USG (Nikkei Asia, 2023; USAID, 2022).

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