

THE DIPLOMACY OF MILITARY EXERCISES

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geopolitics

DEFENCE ■ DIPLOMACY ■ SECURITY



**DO THEY NEED
A BOSS?**

IT IS TIME TO TAKE A FINAL CALL ON THE POST OF CHIEF OF DEFENCE STAFF

COVER STORY

(P38)

THE CDS DILEMMA

Do we need a Chief of Defence Staff — a post that is an accepted norm in 60-plus countries? We take a close look at the challenges and objections raised by a section of the armed forces for the post.



PANORAMA (P10)



SPEED DEMON

The superlative X2, Sikorsky's hybrid chopper that has broken records is all set to be the basis for a new generation of attack helicopters.

PERSPECTIVE (P12)



UNITED FRONT

Joint military exercises enable officers and the troops to acquaint themselves with each other's tactics, techniques and procedures.

SPECIAL REPORT (P20)

NUCLEAR CONUNDRUM

After David Headley's confessions, it is clear that extra efforts are needed to keep India's nuclear facilities safe.

DEF BIZ (P27)

MISSION ACQUISITION

After the CAG's rap on its knuckles for the lack of a modern primary trainer, the Indian Air Force seems keen to acquire the Pilatus PC-7 II.

INTERNAL SECURITY (P58)

SYSTEMIC FAILURE

The latest attacks in Mumbai prove that the political leadership of the country has not learnt any lessons after 26/11.



GUARDING THE HOME FRONT (P32)

INDESEC 2011 brought the best in the homeland security industry for the government and corporates to choose some truly innovative products.



JUNGLE WARRIORS (54)

Learning to fight a guerrilla like a guerrilla is the way forward for security forces battling the Naxalite menace.



CENTRAL ASIAN CHALLENGE (P66)

As they try not to offend US sensibilities both India and the SCO are in a fix about whether or not to associate a 'pariah' Iran.



TOUGH TASK AHEAD (P73)

Yingluck Shinawatra may have won a resounding electoral victory but placating all the stakeholders in Thailand may prove to be a daunting task.

SPOTLIGHT (P36)



SMALL BUT DEADLY

After cancelling the first tender for it, a fresh set of trials is ample proof that the armed forces just cannot do without the Light Strike Vehicle, especially for Special Operations.



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DIPLOMACY (69)
REINING IN THE DRAGON

INDIA HAS TO DEVELOP A VIABLE AID MECHANISM TO COUNTER THE DELUGE OF CHINESE AID AROUND THE WORLD.



Cover Design:
Ruchi Sinha



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DIPLOMACY

A NEW CHALLENGE FROM CHINA

Beijing is playing an increasingly important role on the international development scene by providing aid to many developing countries that closely resembles overseas investments. The elaborate Chinese aid system will pose serious challenges to India, particularly in Asia and Africa, unless New Delhi develops its own aid architecture, argues **GULSHAN SACHDEVA**

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FOREIGN AID and its effectiveness in promoting growth in developing countries has always been controversial. Immediately after the World War II when the idea of foreign aid gained acceptance, the international system was in transition. The process of decolonisation in the developing world coincided with the emergence of a bipolar international system. One of the main reasons behind the idea of development assistance was the success of American Marshall Plan in Europe. In the latter years, aid was also utilised as an instrument of power play between the two superpowers so that developing countries would not go to the "other side". It was also a mechanism by which the European powers maintained their links with their former colonies.

Many scholars who tested the apparent motivations behind foreign aid found that donor interests dominate recipient needs. The World Bank has concluded that research findings linking aid and growth in the developing countries are "discouraging to say the least". Overall, the history of development assistance has been dominated by geopolitics and evolution in development thinking.

The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation & Development (OECD), which monitors global aid trends, defines the Official Development Assistance (ODA) as "the sum of grants and loans to aid recipients that are: (a) undertaken by the official sector of the donor country; (b) with promotion of economic development and welfare in recipient countries as the main objective; and, (c) at concessional financial terms, where the grant element is equal to at least 25 per cent". All major Western donors are members of the DAC. International aid is bilateral, which is given from one country directly to another, as well as multilateral, which is given by the donor country to an international organisation like the World Bank or UN agencies, which in turn distribute it among the developing countries.

Currently, about 70 per cent of aid is bilateral and the rest is multilateral. From 1960 to 1990, ODA flow from DAC countries to developing countries rose steadily. It declined in the 1990s but has been rising again over the last decade, mainly because of reconstruction activities in Iraq and Afghanistan. Despite the recent financial crisis, ODA flows reached \$126 billion in 2010. Traditionally, the US has been a major donor. Other important donors have been the EU and its member states and Japan.

In recent years, aid flow from some non-

CHINA
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AND ASIA,
THROUGH AID

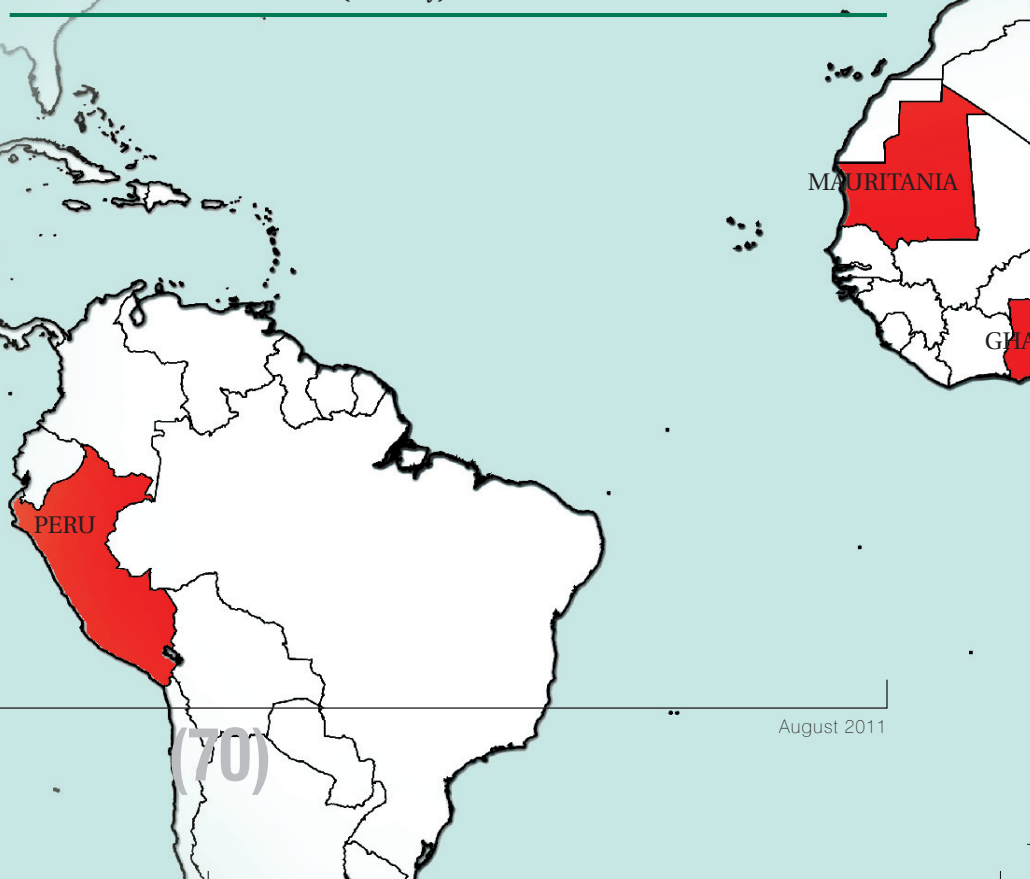
traditional donors such as China and India has been a topic of discussion. Since both China and India are not members of the OECD, their aid figures are not easily available and their activities are not analysed in scholarly aid-literature. As a result, there has been relatively less understanding of their aid activities. Although both of them have argued that their aid activities are part of South-South cooperation, many scholars remain skeptical about their claims. Moreover, both the countries have never presented systematic data of their aid activities to the larger audience. It has been difficult to quantify their activities, particularly that of Chinese aid. Compared to western donors, their aid has also been administered in an ad hoc fashion without a regular system and funding schedule. This, however, seems to be changing, at least, in the case of China.

Recently, the Chinese government released a white paper on its aid activities. This is, perhaps, the first time that the Chinese government has presented its aid activities in a systematic manner. The paper reveals that China's foreign aid began in 1950, when it started providing assistance to North Korea and Vietnam. This was later extended to other socialist countries. Its aid to Africa started in 1956. In 1964, China declared "the Eight Principles of foreign aid", the core of which featured equality, mutual benefit and no strings attached. In the 1970s, it funded the Tanzania-Zambia Railway and other major infrastructure projects. When the Chinese economy opened up in 1978, it diversified its activities. In the 1990s, when its economy was booming, it also diversified the sources of funding.

Actually, some of the Chinese foreign assistance resembles Western ODA. However, a major portion of its aid can be characterised as foreign investment. This is the reason why Chinese aid statistics are quite different from many reports produced by American think tanks. According to the Chinese White Paper, its aid falls into three categories: grants, interest-free loans and concessional

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FLEXING ITS SOFT POWER: China has been raising its profile around the developing world with a multitude of aid programmes in more than 120 countries. Major recipients of Chinese aid are marked in red (see story).





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loans. While concessional loans are provided by the Export-Import Bank of China, the other two come from government finances directly. By 2009, China had provided foreign aid amounting to 256 billion yuan (about \$40 bn). This included \$16 billion in grants, \$12 billion in interest-free loans and \$12 billion in concessional loans. In contrast, some American reports had earlier indicated Chinese aid activities to the tune of \$75 billion only for the period between 2002 and 2007. Obviously, they had included many state-sponsored or subsidised overseas investments into these activities.

It seems that China has also developed its own aid management system. Overall, it is the Ministry of Commerce, which is responsible for the formulation of foreign aid policies, regulations, approval and management of the aid projects. The Executive Bureau of International Economic Cooperation, China International Centre for Economic and Technical Exchanges and some officials of the Academy of International Business are responsible for implementing projects. All these activities are closely coordinated by the Chinese embassies or consulates. Different departments including the Ministry of Com-

CHINA'S AID ACTIVITIES IN AFRICA AND LATIN AMERICA SERVE PRIMARILY ECONOMIC INTERESTS

merce submit their projects every year to the Ministry of Finance for scrutiny and then to the State Council and National People's Congress for approval.

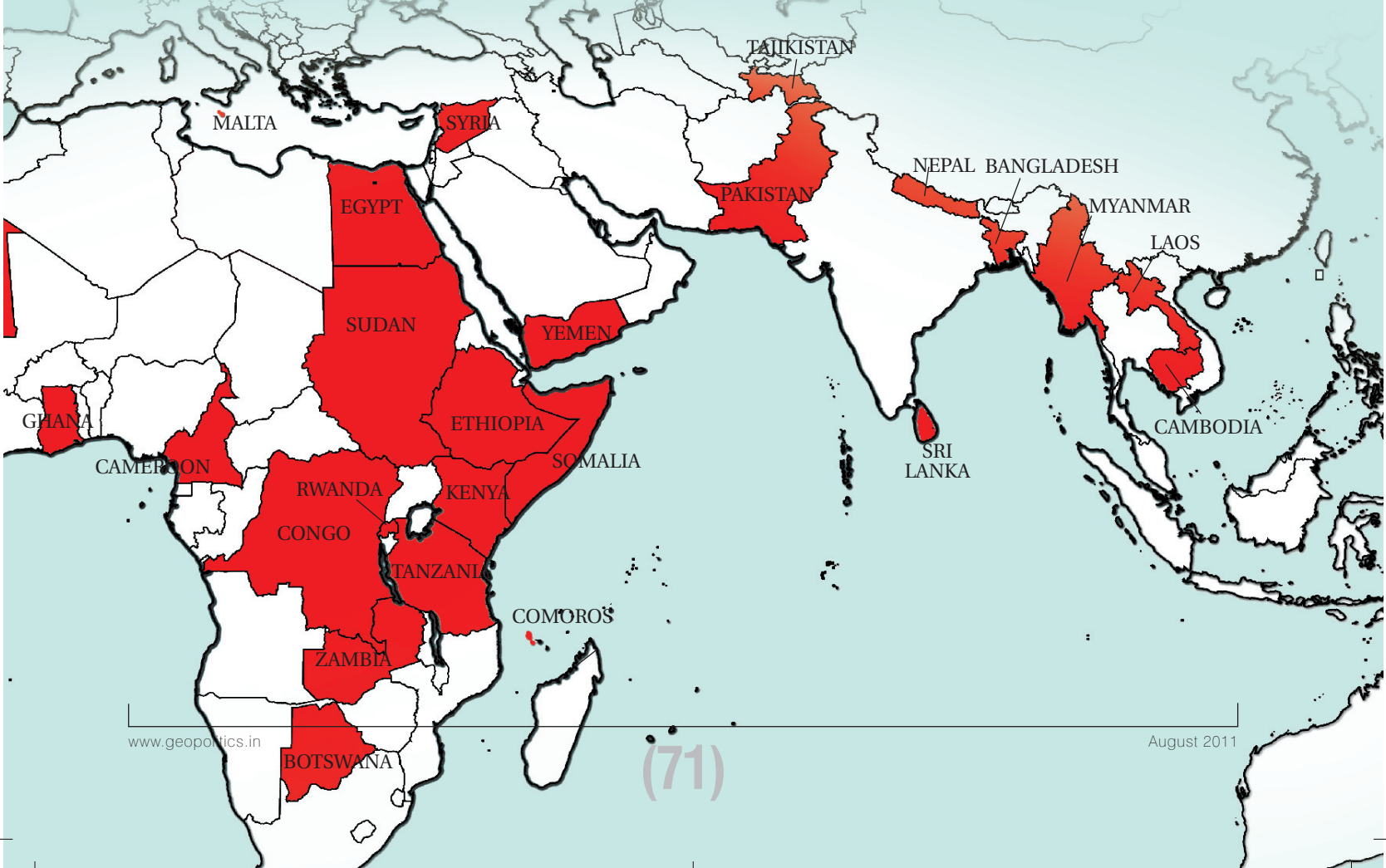
By 2009, China had provided concessional loans to 76 countries, supporting 325 projects, of which 142 had been completed. Out of the total concessional loans, 61 per cent were used to construct transportation, communications and electricity projects, 16 per cent for industrial projects, while 9 per cent were used to support the development of resources such as oil and minerals.

Chinese aid is offered in eight categories

— complete projects, goods and materials, technical cooperation, human resource development, medical aid, emergency humanitarian aid, provision of volunteers and debt relief.

Since the early 1950s, when it stated its activities in North Korea, China has completed more than 2,000 projects. By 2009, China had organised 4,000 training sessions in over 20 fields in human resource capacity building and trained over 120,000 people from a large number of developing countries. Currently, about 10,000 people receive training every year. Starting from Algeria in 1963, China has also sent over 21,000 medical workers to other countries, and treated 260 million patients in about 70 countries. In 2009, 60 Chinese medical teams composed of 1,324 medical workers were providing services at 130 medical institutions in 57 developing countries. Over the years, China has also dispatched about 8,000 Chinese-language teachers.

By 2009, China had aided a total of 161 countries and 30 international and regional organisations. About 123 developing countries receive Chinese aid regularly. Of them, 30 are in Asia, 51 in Africa, 18 in Latin America and the Caribbean, 12 in Oceania and 12





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SCRAMBLE TO AID: Unless India develops its own aid architecture the intricate Chinese aid mechanism will be the cause of potent challenges to India, especially in Asia and Africa

in Eastern Europe. Africa and Asia received about 46 per cent and 33 per cent of total Chinese aid respectively.

China has put emphasis on building some high-visibility landmarks. These include the Bandaranaike Memorial International Conference Hall in Sri Lanka, the Friendship Hall in Sudan, the National Theater of Ghana, Cairo International Convention and Exhibition Centre, the Radio and Television Broadcast Centre in Comoros, the International Convention Centre in Myanmar, Moi International Sports Centre in Kenya, Multi-Functional Sports Stadium in Fiji and the Tanzania National Stadium.

Some of the more than 450 infrastructure projects include Sana'a-Hodeida Highway in Yemen, Karakoram Highway and Gwadar Port in Pakistan, Tanzania-Zambia Railway, Belet Uen-Burao Highway in Somalia, Dry Dock in Malta, Lagdo Hydropower Station in Cameroon, Nouakchott's Friendship Port in Mauritania, railway improvement in Botswana, six bridges in Bangladesh, one section of the Kunming-Bangkok Highway in Laos, the Greater Mekong Sub-region Information Highway in Myanmar, Shar-Shar tunnel in Tajikistan, No.7 Highway in Cambodia,

and Gotera Interchange in Addis Ababa, Ethiopia. In the industrial field, some important projects include Hama Textile Mill in Syria, Cement Factory in Rwanda, Rioja Cement Factory in Peru, Agriculture Machinery Factory in Myanmar and Loutete Cement Factory in Congo.

These facts clearly indicate that through aid activities China has created a huge profile for itself, particularly in Africa and Southeast Asia. Its activities are driven primarily by its desire to secure and transport natural resources for its booming economy. Its aid activities in Africa and Latin America serve primarily economic interests. In South and Southeast Asia, however, activities are also linked with strategic objectives. Despite some negative reporting about the increasing Chinese profile in Africa, it seems that many African governments still see China as a non-imperial alternative player, which can offer an alternative route to development. Compared to the OECD donors and multilateral institutions, Chinese aid is often made available relatively quickly. It is also normally without conditions and bureaucratic procedures. Instead of typical tough donor-recipient negotiations, Chinese aid and investment

activities are announced at bilateral summit meetings. In addition, China does not hesitate in entering into countries, areas and sectors avoided by western donors due to political or security reasons.

Overall, it is clear that China will be playing an increasingly important role in the international development scene. Many Chinese activities closely resemble overseas investments rather than aid. Normally FDI and commercial loans are not counted as aid. But the Chinese situation is complicated because of subsidised overseas investments by the public sector. These contracts are secured through government agreements and normally do not impose risks on participating Chinese companies or result in foreign assets. They look more like aid projects than FDIs. So, compared to traditional donors, the Chinese development role is going to be relatively different. With its institutional structure in place, its activities in future will be more systematic. Although most western donors have moved towards untied aid, Chinese aid continues to be tied.

The elaborate Chinese aid system poses serious challenges to India. Unless India is also able to develop its own aid architecture, it will be increasingly difficult to counter China with ad hoc measures. India's major aid activities in Afghanistan and evolving Africa policy could provide some useful lessons. The Chinese mechanism also provides a lesson that non-traditional donors do not have to follow typical OECD guidelines. India has some experience of implementing the Indian Technical & Economic Cooperation (ITEC) programme as well as lines of credit programme through the EXIM Bank. Though useful, these programmes are still very small compared to the emerging needs of a rising India.

Over the years, the Ministry of External Affairs (MEA) has dominated development cooperation programmes. The emerging Indian development cooperation architecture may need an independent agency to plan, coordinate and implement various aid activities. Obviously, it will have to closely coordinate its activities with the MEA, line ministries, NGOs and think tanks. The agency will also have to collect and present data concerning aid activities to the global audience. Existing donors provide enough examples of how this agency can be organised. To begin with, the Indian government can also come up with its own White Paper on aid activities so that an informed debate can be initiated.

(The author is Associate Professor at Jawaharlal Nehru University)