

## More In This Issue

### \* PUBLICATION

"*Changing Health Paradigms, Globalization, and Global Security*"  
by Bates Gill and Xiaoqing Lu

### \* CONFERENCE

December 5 Rural Discontent, Rule of Law and Social Unrest in China: Implications for U.S. Policy

### \* FREEMAN FACTS

China's Urbanization (cont pg 5)

## Quote Of The Month

"We have agreed to continue and focus discussions on a number of issues, including working toward sustainable growth and greater integration into the global economy without significant trade imbalances, and enhancing protections for intellectual property rights." ~ U.S. Treasury Secretary, **Henry Paulson**, speaking at the closing of the inaugural U.S.-China Strategic Economic Dialogue in Beijing. The Secretary headed a delegation which included six other Cabinet-level officials and the chairman of the Federal Reserve to have discussions with their Chinese counterparts, led by Chinese Vice Premier Wu Yi. The two sides shared views on the need for further reforms, but differed on how fast they should proceed.  
**Source:** U.S. Department of the Treasury, December 15, 2006

## Trivia Question

How much are rural-to-urban migrant workers earning in China?  
(cont pg 3)

For other additional resources on China and East Asia, please also visit the website of our sister institution, Pacific Forum CSIS, at [www.csis.org/pacfor/](http://www.csis.org/pacfor/).

## FEATURE ESSAY

### China's Foreign Aid Policy: Lifting States out of Poverty or Leaving Them to the Dictators?

BY MICHAEL A. GLOSNY

In the last two years, China's activist foreign aid policy has attracted more and more attention. China responded to the tsunami in Southeast Asia and earthquake in Pakistan with its largest-ever aid packages, and even provided emergency aid to the U.S. in the wake of Hurricane Katrina.

This new commitment to foreign aid was on full display at the Forum on China-Africa Cooperation last month, when Beijing promised to double its assistance to Africa by 2009, to set up a China-Africa development fund, and to cancel the debts of the least developed African countries. A more positive view put forward by Chinese leaders argues this new active involvement in foreign aid helps spur economic growth and alleviate poverty in the developing world, proves that China has peaceful intentions, and demonstrates China's commitment to win-win outcomes.

However, others see these developments in a more troubling light. According to these analyses, Chinese aid, especially in Africa, is likely to lead to a new debt crisis in developing countries. In addition, this more skeptical view sees China's aid program linked primarily to access to raw materials and energy resources. Moreover, many argue, China's "no strings attached" aid packages ignore human rights, environmental standards, and good governance, an approach which conflicts with the goals of Western donor nations, undermines incentives to democratize, and is unlikely over the longer term to lead to sustained economic growth and social stability.

Each side has evidence to support its claims. But to make a more informed determination requires a deeper look at China's foreign aid policy and practice. (cont pg 2)

## In The News

**WASHINGTON** The office of the U.S. Trade Representative (USTR) issued a congressionally mandated report on the fifth anniversary of China's entry into the World Trade Organization (WTO). The 100-page report, released by USTR Susan Schwab, examined China's integration into the global economy. The report called China's efforts to bring its trading system into basic compliance with WTO standards and related reforms "significant and often impressive." However, the report also accused some Chinese government agencies and officials of failing to fully embrace the key WTO principles of market access, non-discrimination, national treatment and transparency. The U.S. government will continue to seek improvements through bilateral mechanisms including the Joint Commission on Commerce and Trade as well as the newly created U.S.-China Strategic Economic Dialogue.

**BEIJING** Energy ministers from China, India, Japan, South Korea and the United States gathered in Beijing to discuss how best to achieve energy security. The five-nation summit – the first major energy summit hosted by Beijing – reflects China's growing desire to engage with other key energy consuming countries. According to a ministerial statement issued at the summit, the five nations will focus on diversifying energy sources and enhancing efficiency to reduce oil dependency. On the sidelines of the summit, China and the United States signed a multibillion dollar nuclear reactor contract allowing Westinghouse Electric Co. to build four civilian nuclear power plants in China.

A first important point – but often overlooked – is that China has been a donor country to the developing world since the early-1950s. From 1950 to 1985, China provided aid to 87 countries, including 20 in Asia, 46 in Africa, 16 in Latin America, and 5 in Europe. During the Cold War, providing foreign aid was important to China's putative claim to developing world leadership, as well as for its effort to spread proletarian internationalism and convince recipients not to recognize Taiwan. These aid efforts involved a combination of interest-free loans, agricultural aid, and technical assistance that helped countries become self-reliant, as well as construction of palaces, stadiums, and turn-key projects.

In the late 1970s, as China focused on reform and opening up, it reduced its foreign aid and concentrated its resources on fostering economic development. Today, Chinese leaders believe they understand the needs of developing countries better than Western countries, and are therefore less willing to accept the Western foreign aid norms and practices.

A second key point concerns the amount of Chinese foreign aid. The 2005 China Statistical Yearbook reported China's "expenditure for external assistance" was \$731.20 million for 2004. However, the accuracy of this figure is highly questionable. Most of China's foreign aid experts believe this figure is too low. Moreover, most estimates of China's aid based on press reports suggest this figure is far too low. An excellent study by Henry Yep of Georgetown University shows that the total amount of aid reportedly provided solely to Asia far exceeded the official global expenditure figure. Even if the official figure is correct, without knowing which definition was used and which programs are included and excluded, the number itself is not very useful.

Thirdly, we need to consider how the aid is spent. The vast majority is provided through bilateral channels, although more and more aid is channeled through multilateral organizations. According to rough estimates, approximately half of China's aid takes the form of grants and half takes the form of loans. However, it seems that China increasingly provides loans, perhaps to get some return or perhaps to gain future political favor by forgiving the debt. As for geographical distribution, approximately half goes to Asia and approximately one-third goes to Africa.

Fourth, what are China's objectives? Some Chinese experts will highlight an altruistic desire to help its developing world brothers escape from poverty. However, more and more experts acknowledge the harder-edged gains such aid generates for Chinese interests, and extol the virtues of a "win-win" approach. Other objectives often heard include: stabilize China's periphery, help neighboring countries develop so that they can trade with China's poorer regions, cultivate new export markets, obtain natural resources, expand international influence, and show that China is a great power. The broad range of objectives that Chinese experts list suggest that they are thinking about aid in a very sophisticated manner and that we should avoid being too quick in drawing stark conclusions about what China is trying to do with its aid policy.

In the end, there is still much that is left unanswered about Chinese foreign aid – and that is the central problem. On the one hand, it may be difficult to draw stark conclusions about the intentions behind China's foreign aid. However, it is clear that China's foreign aid policy has become more active, sophisticated, and is driven by a range of different objectives.

But on the other hand, given the lack of transparency and information about Chinese foreign aid policy, it is inevitable that many outside observers will quickly draw worst-case conclusions. Moreover, it is difficult to imagine much meaningful cooperation between Chinese and other international donors until China is more open about the nature, scope and aims of its growing foreign aid program. Increasing transparency would quiet some criticisms and facilitate cooperation, both clearly in China's interest.

As China becomes a more active donor, it makes sense to develop exchanges whereby Chinese and Western donors can coordinate their work, learn from one another's experience, and avoid unnecessary and uninformed criticism of each other. Overall, Chinese and Western donors share an interest in the developing world to alleviate poverty, improve governance, and create economic opportunity. A richer understanding of the policies and practices of Chinese foreign aid will vastly improve the chances of achieving those goals in concert, not in competition.

**Michael A. Glosny is a fellow at Harvard University's Belfer Center for Science and International Affairs and a Ph.D. student in political science at the Massachusetts Institute of Technology.**

*For a more detailed discussion of these issues, see "Meeting the Development Challenge in the 21st Century: American and Chinese Perspectives on Foreign Aid," National Committee on U.S.-China Relations, China Policy Series, Number Twenty-one, August 2006, available at [www.ncuscr.org](http://www.ncuscr.org).*

## PUBLICATIONS

*"Changing Health Paradigms, Globalization, and Global Security,"* Geneva Centre for Security Policy, GCSP Policy Brief Series, December 6, 2006  
By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

The authors argue that the emergence in recent years of major ongoing and potential health threats, coupled with the globalizing nature of international affairs, compels us to take health as a serious global security issue. But globalization also creates opportunities for greater collaboration and synergy at the regional and global levels. Failure to generate necessary political and financial support to meet the challenges of global health threats has serious security implications.

[Click here for the PDF version of the report.]

*"Meeting the Challenges and Opportunities of China's Rise: Expanding and Improving Interaction between the American and Chinese Policy Communities,"* CSIS, October 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

The report assesses the current environment for exchanges between the policy communities in Washington D.C. and Beijing, including exchanges at both the official (government-to-government) and the unofficial (business communities and nongovernmental organizations) levels. It calls on the two capitals to ratchet-up the number and quality of exchanges between the policy communities in the United States and China. The report also proposes a range of recommendations to promote more regularized and effective exchanges.

[Click here for the PDF version of the report.]

## CONFERENCES AND EVENTS

**December 5** Rural Discontent, Rule of Law and Social Unrest in China: Implications for U.S. Policy

The conference examined the sources and nature of social unrest in China. It analyzed legal and political steps that Chinese leaders have taken in response to increasing levels of citizen protest. It also considered the implications of domestic Chinese social unrest for policy makers in both Beijing and Washington. **Mr. Carl Minzner**, Visiting International Affairs Fellow, Council on Foreign Relations, **Dr. Kevin O'Brien**, Professor of Political Science, Chair of the Center for Chinese Studies, UC Berkeley, **Mr. Ben Liebman**, Associate Professor of Law, Director of Center for Chinese Legal Studies, Columbia Law School, and **Dr. Murray Scot Tanner**, Senior Political Scientist, RAND Corporation examined these issues. Senior Director for East Asian Affairs at the National Security Council, **Dennis Wilder**, offered keynote remarks to conclude the session.

[Click here for conference audio and summary.]

## WHAT'S NEW

We are pleased to announce that **Eve Cary** has joined the Freeman Chair in China Studies as Project Coordinator of the China Balance Sheet project. Ms. Cary received a B.S. in Foreign Service from Georgetown University, majoring in international politics. She interned with the Freeman Chair in the fall 2006 semester. Previously, Ms. Cary worked with the World Bank's East Asia Health, Nutrition and Population Department as well as the Development Marketplace. Also, we would like to express our gratitude for the fine work of **Fan Fei** during her internship with the Freeman Chair.

## TRIVIA ANSWER

**According to a recent survey of China's National Bureau of Statistics, the per-capita monthly income for half of the migrant workers is less than RMB800 (approximately USD100).** Despite their low income, more than half of the migrant workers hope to settle down in cities.

**Source:** *"Dream of Settling Down"*, Beijing Review, vol. 49, no. 44, November 2, 2006

## PUBLICATIONS FROM THE FREEMAN CHAIR 2006\*

\* Please visit our website to access archived publications dating back to 2002.

### December

*"Changing Health Paradigms, Globalization, and Global Security"*, Geneva Centre for Security Policy, GCSP Policy Brief Series, December 6, 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS

### October

*"Meeting the Challenges and Opportunities of China's Rise: Expanding and Improving Interaction between the American and Chinese Policy Communities"*, CSIS, October 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS

*"Xinfang: An Alternative to Formal Chinese Legal Institutions"*, Stanford Journal of International Law, vol. 42, 2006

By **Carl Minzner**, Council on Foreign Relations Visiting International Affairs Fellow, Freeman Chair in China Studies, CSIS

*"Chinese Diplomacy and Optimism about ASEAN"*, Comparative Connections, CSIS Pacific Forum, vol. 8, no. 3, October 2006

By **Robert Sutter**, Visiting Professor at the School of Foreign Service of Georgetown University, and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

### September

*"Taming the Dragon and Marching in Steps with the Elephant"*, Challenge Europe, European Policy Center, September 2006

By **Pramit Mitra**, Research Associate, South Asia Program, CSIS and **Melissa Murphy**, Research Associate, Freeman Chair in China Studies, CSIS

### August

*"HIV/AIDS in Xinjiang: A Growing Regional Challenge"*, China and Eurasia Forum Quarterly, vol. 4, no. 3, August 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Gang Song**, Research Intern, Freeman Chair in China Studies, CSIS

*"China and the Shanghai Cooperation Organization: Post-Summit Analysis and Implications for the United States"*, China and Eurasia Forum Quarterly, vol. 4, no. 3, August 2006

By **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

### July

*"Military Diplomacy and China's Soft Power"*, Comparative Connections, CSIS Pacific Forum, vol. 8, no. 2, July 2006

By **Robert Sutter**, Visiting Professor, School of Foreign Service, Georgetown University, and **Chin-Hao Huang**, Research Assistant, Freeman Chair in China Studies, CSIS

### June

*"Assessing HIV/AIDS Initiatives in China: Persistent Challenges and Promising Ways Forward"*, Center for Strategic and International Studies, June 2006

By **Bates Gill**, Freeman Chair in China Studies, CSIS

### May

*"Sources and Limits of Chinese 'Soft Power'"*, Survival, vol. 48, no. 2 (Summer 2006), International Institute for Strategic Studies

By **Bates Gill**, Freeman Chair in China Studies, CSIS and **Yanzhong Huang**, Assistant Professor at the John C. Whitehead School of Diplomacy and International Relations, Seton Hall University

### April

*"Sino-American Relations Needs Actions Not Words"*, Financial Times, April 23, 2006

By **Bates Gill**, Freeman Chair in China Studies, and **Michael Green**, Japan Chair and Senior Advisor, CSIS

*"Finding Strength in Global Adversity"*, South China Morning Post, April 1, 2006

By **Xiaoqing Lu**, Research Associate, Freeman Chair in China Studies, CSIS and **Chin-Hao Huang**, Research Intern, Freeman Chair in China Studies, CSIS

## FREEMAN FACTS:

### China's Urbanization

1. 40% of the Chinese population currently live in urban areas, with around 13 million rural people flooding into Chinese cities annually.
2. Urbanization has caused a loss of 16 million acres of land in total over the last 20 years.
3. The average population of China's towns increased by 27.5% to 9,511 between 2000 and 2005. More than half of China's 20,000 towns have a population of over 30,000.
4. Half of the 1.3 billion Chinese people are expected to live in cities by 2010.
5. There are currently 150 million migrant workers, comprising 11.5% of the total population.

**Sources:** BBC, Beijing Review, China Daily, Xinhua

The *Freeman Report* is an electronic newsletter produced monthly by the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), a private, tax exempt institution focusing on international public policy issues. Its research is non-partisan and nonproprietary. CSIS does not take specific policy positions; accordingly, all views, positions, and conclusions expressed in this publication should be understood to be those of the author(s).

Center for Strategic and International Studies 2006

### THE FREEMAN CHAIR IN CHINA STUDIES

**Bates Gill**, Freeman Chair in China Studies

**Savina Rupani**, Program Coordinator and Special Assistant to the Freeman Chair

**Carl Minzner**, Council on Foreign Relations Visiting International Affairs Fellow

**Xiaoqing Lu**, Research Associate

**Melissa Murphy**, Research Associate

**Chin-Hao Huang**, Research Assistant

**Eve Cary**, Project Coordinator

If you would like to be added to the Freeman Report listserv, please e-mail [FreemanChair@csis.org](mailto:FreemanChair@csis.org). Or visit <http://www.csis.org/china/>

## About the FREEMAN CHAIR IN CHINA STUDIES

The *Freeman Chair in China Studies* was established at the Center for Strategic and International Studies in 1994 to advance the study of China and to promote understanding between the United States and the countries of the Asia Pacific region. The Freeman Family—Luther Freeman as a clergyman, Mansfield Freeman as a scholar-business leader, and Houghton Freeman as a corporate executive in a global enterprise—have established a tradition of contributing to international understanding through practical experience in East Asia and China.

The United States has a long-standing relationship with China and the countries of East Asia, which play increasingly important roles in future international economics, politics, culture, and security. In the diplomatic, public policy, business, and government fields, the peoples of both China and the United States will benefit from greater mutual appreciation and understanding through broadly based international exchange.

The Freeman Chair's active policy-oriented agenda is dedicated to delivering informed public policy debates, expert briefings, and strategic policy recommendations on Greater China and East Asia to the diplomatic, policymaking, business, and government arenas.

### Current research projects

- China's domestic challenges and their consequences for U.S.-China relations and U.S. strategic interests
- The emergence of Chinese civil society and nongovernmental organizations
- China's HIV/AIDS crisis and its implications for U.S.-China relations
- Examining the economic, trade, and financial tensions in U.S.-China relations
- China's relations with key regions—including Central Asia, Europe, and Africa—and their implications for the United States
- China's military modernization and its impact on regional security
- U.S.-China-Taiwan relations

To learn more about our program and ongoing research projects, please visit our website at <http://www.csis.org/china/>