



## **China-Africa Relations: Thoughts on China's Foreign Aid**

On April 12, 2007 the CSIS Freeman Chair in China Studies and the CSIS Africa Program invited Mr. Li Ruogu, chairman and president of China's Export-Import Bank, to deliver a keynote address on China's foreign aid.

**Dr. J Stephen Morrison**, director of the Africa Program, gave the opening remarks to the event. Since its establishment in 1994, China's Ex-Im Bank has become an important institution engaged in onlending of foreign government loans and financing Chinese investment projects. China Ex-Im Bank is the world's third-largest export credit agency and a major source of funding for infrastructure development projects in Africa. Morrison formally introduced Li to the audience and laid out some of the key points for discussion, including China Ex-Im Bank's lending practices, its perspectives on debt relief, transparency, and accountability issues, and discuss prospects for Chinese collaboration with U.S. and multilateral development assistance programs in Africa.

**Mr. Li Ruogu** outlined three main themes of his presentation on the Ex-Im Bank's operations. First, the ultimate goal of China in providing foreign aid is to "promote common development and build a harmonious world." Second, China supports debt relief and attaches more importance to increasing foreign aid loans. Third, the bank stands ready to enhance cooperation with other countries and aid agencies to jointly push forward the development of developing countries, especially the Heavily Indebted Poor Countries (HIPC) and Least Developed Countries (LDC) in sub-Saharan Africa.

In addition, Li cited five main features of China's foreign aid program:

1. China's foreign aid caters to the long-term development of the recipient countries. It believes that development is the best way to eradicate ignorance, terrorism and turbulence and the most viable option to social progress and democracy. China's aid thus focuses primarily on infrastructure development and assists recipient countries to set up free trade areas and export processing zones.
2. China attaches high importance to actual effects of foreign aid program. As such, there are ongoing efforts to promote stricter evaluation of the projects' impacts and a stronger commitment to environment protection and poverty alleviations.
3. China maintains that it will continue to adhere to the principle of equality and mutual trust and non-interference in the internal affairs of recipient countries.
4. The outreach of China's aid is expanding to include the rest of Asia, Africa, Latin America and the South Pacific.
5. China has a strong preference to let Chinese companies undertake projects to ensure the quality of the deliverables.

Li further cited two examples in Africa where China's foreign aid has made significant impact. In Sudan, for example, China has engaged in the construction of a wide range of critical development projects including roads, schools, hospitals, the Merowe Dam, and power stations. It has also invested in Sudan's telecommunications system and oil sectors. He maintained that China's assistance has contributed to a "remarkable improvement of people's livelihood" and believes that the continued focus on economic development will help reduce poverty and unrest in Darfur.

As for Sino-Angola cooperation, Li explained that bilateral agreements are based on the bank's principles of equality and mutual benefit. According to Li, China's aid has enabled Angola to build a better investment and trade environment, important factors that will help Angola become self-reliant in the long run.

Li also reiterated that for sub-Saharan Africa, China will implement the eight principles of development outlined by Chinese President Hu Jintao at the China-Africa Summit in November 2006. One of the main measures included Beijing's decision to provide concessional loans worth \$3 billion and \$2 billion preferential export buyer's credit to Africa. It has also decided to cancel all the interest-free debt dues by the end of 2005 of all the HIPC and LDCs in Africa which had established diplomatic ties with China.

Li concluded that China is willing to strengthen cooperation with the United States on development assistance in four main areas:

1. Exchanges and cooperation on development aid conception, debt relief and financing mechanism for assistance;
2. Joint exploration on new ways to improve the effectiveness of development assistance;
3. Information sharing and coordination of efforts in helping the development of Africa and other key regions;
4. Discussion on the possibility of co-financing for major infrastructure projects.