The Use of Aid to Counter China’s “Djibouti Strategy” in the South Pacific

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INTRODUCTION

The Trump administration’s 2017 National Security Strategy and 2018 National Defense Strategy nominate the re-emergence of great power competition and rivalry as the primary challenge facing the United States. In these documents, special attention is paid to China’s comprehensive challenge to US interests and values. In response, the US and its allies (especially Japan and Australia) have introduced the concept of a Free and Open Indo-Pacific (FOIP), which offers a broad strategic framework to guide US policies in the region.

The FOIP focuses primarily on East Asia and, increasingly, the Indian Ocean region. This is appropriate given that the strategic construction of the so-called First Island Chain is in East Asia, as are the great export-oriented economies of China, Japan, South Korea, Taiwan and the maritime Southeast Asian nations. Although China’s Belt and Road Initiative covers the maritime and continental areas from Asia to Europe, the implications for this ambitious infrastructure project in East Asia are of highest interest to the US.

US and allied interests in the South Pacific are long-standing. Although relatively neglected in recent times, the South Pacific region is increasingly contested by China and should be of growing interest and concern to Washington. Beijing is also using economic means to neutralize, seduce, or else coerce some South Pacific nations, with potentially serious strategic and political consequences for the US. The South Pacific region is still a very poor region that is heavily dependent on Official Development Assistance (ODA) and other forms of economic help. The region is included as part of China’s Belt and Road Initiative, and Chinese money and economic activity in this area are already impactful and growing significantly.

This report examines the strategic value of the South Pacific and the possible implications of increased Chinese economic aid and other activity in that region. It points out the importance of ODA in the region to counter Chinese actions and to advance US interests in an era in which great power competition is returning to the fore. It also makes a broader argument for reform of the design, administration, and delivery of US ODA, especially in the South Pacific. Indeed, it makes the case that the traditional humanitarian and developmental principles of ODA should be better aligned with, and even fundamentally defined by, national security plans and interests. Doing so will not degrade the value or importance of traditional humanitarian and development objectives. Rather, it will ensure that ODA is better deployed as a strategic, principled, and pragmatic tool of statecraft and be more useful to, and better valued by, the national security community. A more efficient and strategic use of ODA in the South Pacific will help the Trump administration take a whole-of-government approach to meeting China’s challenge, defending US interests, and advancing the FOIP concept.
Moreover, better aligning ODA with strategic and security concerns diminishes or even eliminates the perceived dichotomy between national security objectives and humanitarian and/or developmental goals. Such alignment enhances the value of ODA for a broader group of national security stakeholders and provides an effective counterweight to calls for significant reductions in ODA. Given China’s use of economic seduction and financial traps to advance its own interests and undermine those of the US, the strategic use of ODA becomes more rather than less important.
In an address to the China-Pacific Island Countries Economic Development and Cooperation Forum in April 2006, then Chinese Premier Wen Jiabao declared:

As far as China is concerned, to foster friendship and cooperation with the Pacific Island countries is not a diplomatic expediency. Rather, it is a strategic decision. China has proved and will continue to prove itself to be a sincere, trustworthy and reliable friend and partner of the Pacific Island countries forever.¹

One key to attaining influence and relevance in the Pacific Islands is ODA, as it is one of the most aid-dependent regions in the world. ODA is higher in this region than any other on a per-capita basis. Of the top 25 countries in which ODA is highest as a proportion of GDP, 10 of these are Pacific Islands.

Beijing has allocated significant resources to that end. From a very low base when Premier Wen delivered the above remarks, China emerged to become the third largest source

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of ODA in the 10 years from 2006-16. Two academics at the Australian National University estimated that China provided US$1.78 billion over that period, making it the third largest donor behind Australia and the United States, who donated US$7.7 billion and US$1.95 billion respectively. A more recent revision of 2016 figures (the latest reliable figures available) by the Lowy Institute estimates that China committed over US$198 million (second after Australia, which committed US$730 million) to the South Pacific and actually spent just over US$80 million (fifth after Australia, New Zealand, Japan, and the World Bank).

These figures need to be placed in proper context. On the one hand, Chinese aid to the South Pacific constitutes less than 0.15 percent of its overall ODA. None of the top 10 recipients of Chinese ODA are Pacific Islands. Likewise, and with respect to Other Official Flows (where the grant element is under 25 percent and the financing is predominantly commercial in nature), Pacific Islands receive a miniscule amount of what China offers to the rest of the world.

Even so, amounts of ODA that are tiny by Chinese standards are significant by Pacific Island standards. For example, from 2006-13, over 50 percent of ODA provided to Fiji—the South Pacific’s most populous nation—came from China. The approximately US$360 million of Chinese ODA during that period amounts to over 8 percent of Fiji’s GDP in 2015. In the same period, approximately 30 percent of ODA provided to the Cook Islands, Samoa, Tonga, and Vanuatu came from China.

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3 Pacific Aid Map, Lowy Institute, March 2019, https://pacificaidmap.lowyinstitute.org/
Chinese activities in the South Pacific have an oversized impact on the Pacific Island nations. Of great concern is what might be termed China’s “Djibouti Strategy,” which is being applied to the South Pacific.

In 2017, China opened its first overseas military base in the strategically located nation of Djibouti in the Horn of Africa. Although China initially downplayed the base as an “overseas logistics facility,” it now admits that it is a “supply base” but denies that it is being used for military purposes or has military relevance. This is refuted by growing evidence that port facilities are being built specifically for use by the People’s Liberation Army Navy (PLAN).4

Of high relevance here is the reasoning and process by which China eventually secured access to such a facility in a small but strategically important territory. Toward the end of the previous decade, China joined on to naval escort missions in the Gulf of Aden after several United Nations Security Council Resolutions authorized counter-piracy operations. From 2008-18, China sent at least 30 escort taskforces to the region. Although the PLAN was legally engaged in these missions, it provided an opening for China to argue that it needed a logistics facility to provide support for its fleet.

During that same period, China’s standard playbook in offering economic inducements to small economies was coming into play. Djibouti was already well practiced at extracting largesse from major powers. In 2015, the US renewed its lease for Camp Lemonnier, which hosts US Special Forces, fighter planes, and helicopters, even though Djibouti President Ismail Omar Guelleh nearly doubled the rent. This is on top of the more than US$70 million per year in economic aid given to the small country. France, Germany, and Japan have handed over tens of millions of dollars to the country for the right to use its strategic real estate.

China did the same, but its mix of aid and commercial incentives offered to prospective clients is far more extensive and comprehensive. In the lead-up to the basing deal, state-owned China Merchant Holdings purchased a large stake in the country’s vital Port of Djibouti for US$185 million. To sweeten the deal, Beijing threw in an offer to develop the port’s facilities and awarded state-owned China State Construction Engineering Corporation a US$420 million contract to begin work. Beijing also promised to improve the infrastructure supporting that port’s functions. This included a railway to Ethiopia and two international airports.\(^5\)

Having gained a formal lease for facilities and the favor of the local government through financial offerings, China began the gradual militarization of ostensibly civilian facilities. Just months after the opening of the logistics facility, China began military training and live-fire exercises to “explore the model of overseas military deployment and improve the Chinese troops’ ability to comprehensively manoeuvre weapons and conduct diversified military missions.”\(^6\) The mission of military personnel stationed in Djibouti has been expanded beyond anti-piracy or counter-terrorism operations to authority to provide “humanitarian assistance” and contribute to the “peace and stability of Africa.”

This military mission creep is complemented by additional Chinese financing for civilian and military-relevant projects such as new ports and railways, water supply and energy transportation facilities, and even a US$3.5 billion free trade “zone of hope” covering some 30 square miles and, with Chinese-built infrastructure, linking the economy of Djibouti with that of Ethiopia, Rwanda, Somalia, and Sudan.\(^7\) Notably, these infrastructure developments, which include military-capable facilities, are considered part of China’s Belt and Road Initiative. Despite Chinese denials of mission creep when the “logistics facility” was first proposed, the US, France, and Japan are now forced to accept a permanent Chinese military presence and base in the same 14,400 square-mile African territory.

The Djibouti example does not provide a perfect parallel with the South Pacific but is nevertheless highly pertinent. Heavily dependent on overseas assistance, the Pacific Island economies are tiny, in urgent need of infrastructure, and do not easily attract foreign investment on commercial terms. Fiscal budgets are small and GDP per capita is low. Fiji is the most populous of the island nations and has just under 850,000 people, which is about 100,000 fewer than

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\(^7\) “Djibouti commissions $3.5 billion Chinese-built free trade zone,” Reuters, July 6, 2018.
Djibouti. As in Djibouti, external financial largesse can easily sway governments.

Like Djibouti, there is a strategic rationale for Chinese interest in the South Pacific, albeit a lower-level one compared to a nation situated on the Horn of Africa. Academics and strategists frequently point to the South Pacific as integral to China’s grand strategy as part of a “greater periphery” approach.\(^8\) Included as part of the maritime component of the Belt and Road Initiative, the South Pacific sits just outside the so-called Second Island Chain, which is an area constituted by an imaginary line from the east coast of Japan through Guam, Palau (which is part of Micronesia), and ending in the western regions of Papua New Guinea.

China’s focus is currently on acquiring the capacity to break out of, or else operate freely within, the so-called First Island Chain, which is inside an imaginary line drawn from the south of Japan through Taiwan, the west of the Philippines, Brunei, and the east coast of Indo-China. The PLAN cannot become a genuine Pacific naval power without the capacity to break out and operate freely beyond the First Island Chain—meaning it must be able to deter or repel naval counter-actions around the eastern periphery of the Second Island Chain, which is where the South Pacific Islands are located.

After the fall of imperial Japan in 1945, the US stationed forces throughout the Western Pacific. Although attention is paid mainly to US forces able to project force in East Asia, the objective was also to “prevent any potential adversary from gaining a strategic posture in the South Pacific” that could challenge US strategic pre-eminence. Presently, the US has Compact Agreements with the Federated States of Micronesia, the Marshall Islands, and Palau. These agreements offer guaranteed access to the US in the event of a contingency and give Washington authority to grant or deny access to other military forces.

In December 2017, Congress passed the 2018 National Defense Authorization Act, which renews the Palau Compact until 2044 and provides funding through 2024. However, funding for the Federated States of Micronesia and Marshall Islands Compacts are due to lapse in 2023. There are concerns that these countries might choose to eventually end their agreements with the US due to the increase in Chinese economic largesse or perhaps revise them to remove the US veto over right of naval access. Chinese interest in this area was revealed by reports indicating that Chinese scientists had placed acoustic sensors in the Mariana Trench near Guam and the island of Yap in the Federated States of Micronesia. These were ostensibly for studying ocean and geologic activity but could easily be used to monitor US submarine activity.

The point is that while the US and other countries such as Australia have a considerable head start over China when it comes to strategic positioning in the South Pacific, Beijing has strategic incentives and the financial means to quickly catch up, as occurred in Djibouti.

More generally, and beyond Micronesia, the economic components of the Djibouti approach are already well underway. China is the largest trading partner of the Pacific Island Forum member countries taken together (excluding Australia and New Zealand). With respect to Chinese ODA given to PIF countries, over 80 percent of it is in concessionary loans (with the remainder grants). Chinese concessional loans have increased from almost zero to over US$1.3 billion within one decade and impose interests rates of around 2-3 percent. In addition to the substantial capital injected into Fiji, Chinese loans account for more than 60 percent of Tonga’s total external debt and almost half of all external debt owed by Vanuatu. Fiji and Tonga are the only two Pacific Island countries with permanent standing militaries.

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10 Harry B. Harris, Jr., US Ambassador to South Korea, “Testimony before the US Senate Armed Services Committee, Hearing on United States Pacific Command and United States Forces Korea,” April 27, 2017.
13 PIF members are Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, and, since September 2016, French Polynesia and New Caledonia. Tokelau and Wallis and Futuna are associate members.
The case of Vanuatu is potentially more serious. According to a report that quoted senior security officials from the Australian government, China and Vanuatu were in discussions to build a military-capable base at Luganville Wharf, which had been funded by a US$54 million Chinese government loan and completed in mid-2017. The report was subsequently denied by both countries. China recently built office complexes for the Vanuatu government in addition to a stadium and convention center, and it promised to upgrade the international airport to increase Chinese tourism into the country. The Vanuatu situation reminds one of a comment back in 2003 by Tonga’s Prime Minister Akilisi Pohiva, who reportedly told an audience in New Zealand that China might agree to write off Tonga’s loan if the latter agreed to a Chinese base in return.

Although China does not outwardly admit to seeking foreign military bases, the issue of overseas basing and stationing of PLAN troops is being widely discussed within China. One well-placed academic, Liu Zhongmin, argues:

China needs to make the international community aware of the fact that overseas bases are needed for two purposes: China’s own interests and the country’s assumption of more international responsibilities. There is no need to conceal these goals. . . . For China, the best choice is to put the establishment of overseas bases on the agenda as soon as possible and carry out the necessary communications with relevant countries.

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19 Ibid., p. 49.
Dai Xu, a retired PLA Air Force officer, even outlines the selection criteria to determine which region and country should host this facility:

First, we must choose a region where our strategic interests are important and concentrated and then select a country that has a friendly, solid relationship with us. Not only can our overseas commercial fleets obtain timely replenishment once we have this kind of base, but our commercial interests in the countries and regions around our base will also have a stable support point.20

Case studies such as Djibouti, Hambantota Port (Sri Lanka), Gwadar (Pakistan), and perhaps the Maldives suggest that the building of dual-use facilities is Beijing’s intended outcome. “Debt trap” diplomacy and promises to fund further infrastructure development and create further economic opportunity are approaches used by Beijing to persuade or coerce debt-burdened countries into the future provision of these facilities for PLAN use.

The building or purchase of infrastructure can also be problematic when that occurrence locks in critical infrastructure as part of the Chinese economic or technological “ecosystem” or “operating system.” For example, Huawei announced that it had received a contract to construct an undersea cable to connect the Solomon Islands’ main islands with onward connectivity to Australia. The Solomon Islands had originally awarded the contract to British-American company Xtera and had secured finding from the Asian Development Bank to do so. A parliamentary committee report suggested that Huawei was given the contract after the company “promised the Prime Minister a political donation of [Solomon Island dollars] 40 million (or around US$5 million).”21 The point is that the use of political favors to secure a commercial outcome that has strategic ramifications for the US and its allies. It is an approach that China has implemented elsewhere (e.g., Djibouti,22 Sri Lanka,23 Malaysia24).

Finally, the Djibouti model shows how mission creep and the eventual establishment of a dual-use facility might proceed if China successfully acquires a “logistics facility” in the South Pacific. In Djibouti and elsewhere, China justifies the use of the PLAN to pursue and protect Chinese and “community” interests, the definition of which are broadly defined and ever-expanding. These interests include responses to natural disasters and humanitarian relief; protection of Chinese nationals, workers, and even Chinese diasporas25 from acts of terrorism or civil disorder; and the safeguarding of Chinese commercial assets. The use of the PLAN to protect Chinese interests and assets is formally classified as “far seas protection operations” to serve “peacetime goals.”26

In this context, investment by Chinese firms and the presence of Chinese workers and Chinese diasporas provide ample pretext for increasing PLAN presence. According to defense white papers since 2012, the protection of overseas Chinese nationals is formally identified as a task for the PLAN. In 2013, there were an estimated 80,000-100,000 ethnic Chinese people in the South Pacific.27 That number has increased since then, largely due to Chinese workers moving to the South Pacific to work on Chinese-led capital building projects.

20 Ibid., p.49.
There is nothing illegitimate about China using diplomacy and development assistance per se to acquire greater influence and relevance in the South Pacific. It is also impossible to prevent the growing Chinese economic footprint there. However, specific concerns are:

- China’s use of ODA to win political favor, steer countries toward it, and secure exclusive privileges to assets, which would have negative strategic implications for the US and allies;
- The use of economic and/or coercive methods that cause Pacific Island nations to abandon diplomatic relations with Taiwan and thereby shrink Taiwan’s role and relevance in international affairs and global bodies;
- The use of ODA to finance projects that remain opaque with respect to the terms of the bargain and the future use of the asset;
- The offering of concessionary loans to create debt traps for Pacific Island nations;
- The development of dual-use facilities and increased militarization of facilities, which is driven by the PLAN’s mission creep in the region.
The US and its allies are already mobilizing to respond to China’s growing influence and activities in the South Pacific. For example, Australia announced its “step up” in the South Pacific last year.\footnote{Stepping-up Australia’s Pacific Engagement,” Australian Department of Foreign Affairs and Trade, accessed March 2019, https://dfat.gov.au/geo/pacific/engagement/Pages/stepping-up-australias-pacific-engagement.aspx} This includes renewed efforts to ensure that the Pacific Islands Forum (PIF)\footnote{The 18 founding PIF members are Australia, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. The 18 official Dialogue Partners are Canada, People’s Republic of China, Cuba, European Union, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Malaysia, Philippines, Spain, Thailand, Turkey, United Kingdom, and the United States.} remains the preeminent political and economic organization in the region.

The messaging should also remain on PIF-friendly objectives such as building domestic economic and institutional resilience, encouraging sustainable economic growth, and encouraging deeper people-to-people ties. It is critical that any US or allied “step up” is not communicated to Pacific Island nations as an initiative primarily designed to exacerbate strategic competition with China in the region.

Although these nations are cognizant that such competition is occurring and is likely to deepen, they are deeply uncomfortable with the notion that they might be viewed as pawns or prizes on a greater strategic chessboard. The better (and sincere) way to explain actions is by conveying the genuine belief that their national sovereignty and resilience are well aligned with US and allied strategic interests.
MOBILIZING ODA

In addressing and countering the concerns mentioned earlier, Canberra announced a US$1.45 billion Australian Infrastructure Financing Facility for the Pacific in November 2018 and proposed that Australia’s Export Finance and Insurance Corporation, which offers specialist finance facilities to Australian exporters, approve further resources to support related investments in the Pacific.

At the November 2018 Asia Pacific Economic Cooperation meeting in Papua New Guinea, the US, Japan, and Australia announced a Memorandum of Understanding on a Trilateral Partnership for infrastructure investment in the Indo-Pacific. Under this MOU, the three countries will mobilize private capital to offer infrastructure finance to the region using globally accepted standards of transparency and sustainability.

In addition to commercially viable projects including those involving partnerships with the private sector, ODA remains critical for nation building and enhancing the economic and social resilience of the small Pacific nations. Some in the development community might lament the “securitization” of ODA. However, national security has historically been the predominant theme of US assistance programs.\(^\text{30}\) The

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rebuilding of Europe after the Second World War and the Marshall Plan were viewed by policymakers as principled and pragmatic approaches to prevent the spread of communism in post-war Europe. In East Asia, aid and development assistance went hand-in-hand with establishing US basing rights in countries such as Japan and the Philippines. After the Cold War, the focus of ODA was on supporting regional security policies such as Middle East peace initiatives and democratization in Eastern Europe. After the 9/11 attacks, ODA became intrinsic to a counter-terrorism strategy and the reconstruction of strategically important countries such as Afghanistan and Iraq.

With respect to the South Pacific, three considerations should guide the reform of aid and development assistance:

First, if we are to take documents like the 2017 National Security Strategy and 2018 National Defense Strategy seriously, then the primary challenge for the US is the deepening strategic competition between it and rivals such as China and Russia. In the South Pacific, Chinese ODA resources are being used to challenge long-standing strategic priorities for the US and its allies. In response, a more strategic use of ODA to address the concerns listed earlier is required. Since 2001, much of the national security community has advocated for ODA to be used as a counter-terrorism tool. With the return of great power competition superseding terrorism as the primary challenge, an appropriate shift in mindset with respect to the strategic value of ODA should duly take place.

Second, the increased securitization of ODA does not inherently dilute or corrupt traditional goals of humanitarian assistance and relief, or of helping societies become more resilient. On the contrary, helping the economic and social development of the South Pacific nations is fundamental to countering China by bolstering their resilience and sovereignty. While the strategic use of ODA in the South Pacific will mean that projects are frequently chosen in direct response to Chinese activities, the design and financing of all projects must still genuinely advance the interests of the recipient country and its people. That is the enduring competitive advantage of the US and its allies over China when it comes to the South Pacific.

Third, treating ODA as a primary tool to advance national interest and security—at least in regions such as the South Pacific where ODA is critical—makes it more difficult to justify cuts to ODA. It counters any perception that ODA is a desirable but optional tool of statecraft. Likewise, the expertise and capabilities of ODA professionals should become more, not less, valued by the national security community. Indeed, the national security community ought to see themselves as the natural champions of ODA.

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Source: Lowy Institute
A fundamental problem confronting the strategic use of US ODA in the South Pacific is the myriad agencies designing and delivering aid. At present, there are 19 listed ODA agencies that manage the government’s foreign assistance programs. This fragmentation of ODA design, administration, and implementation leads to several problems.

For a start, it is almost impossible to take a coherent and focused view of ODA, which makes its use as a tool of statecraft problematic. With respect to the South Pacific, it is critical that the US:

- Strategically identify countries and projects of high priority;
- Rapidly deploy ODA and bring together the appropriate pool of expertise, which might include diplomatic, military, development, cultural, and technical expertise;
- Maintain the capacity to quickly “surge” (i.e., increase funding and personnel resources if needed);
- Monitor and report strategic progress and/or failures on an ongoing basis.

Photo: The U.S. Air Force’s 33rd Rescue Squadron prepares to distribute US AID packages in the Ampara region of Sri Lanka, following the 2005 tsunami that claimed 30,000 lives. (Shaul Schwarz/Getty Images)

31 https://foreignassistance.gov/agencies
Under the current fragmented structure, no agency has the “culture, capabilities or confidence of other agencies to lead, manage, or coordinate the majority of US foreign assistance.”

Moreover, the State Department and USAID control approximately two-thirds of ODA but do not have authority over (and often even awareness of) the remaining one-third. It may be that the stated mission of USAID to eradicate poverty and help build resilient and democratic societies is eminently fit-for-purpose with respect to what the US and its allies need to advance in the South Pacific. However, ODA is being deployed in a disjointed, inconsistent, and inefficient manner.

It cannot be otherwise while the pool of resources is spread across a patchwork of administering entities that have diverse objectives and cultures. No one agency has the capability to draw on expertise across the whole of government. Coherent reporting of progress is impossible given the differences in objectives between entities. Compare that with the degree of strategic and operational coordination between the Chinese Party leadership, administers of ODA (including the Exim Bank of China), the state-owned Assets Supervision and Administrative Commission of the State Council, state-owned banks, and the private sector.

The point is not that the US can or should try to replicate the Chinese organizational apparatus, which is anathema to any liberal-democratic political economy. Rather, US ODA should be better deployed to advance Washington’s objective of building resilient and democratic societies, including in the South Pacific.

There has already been thought given to reform of the design and delivery of ODA. One suggestion is to revamp and empower an independent USAID to oversee and coordinate all US ODA activities. This would put the onus on the new USAID to work in partnership with the State Department and closely with the Defense Department to integrate development, defense, and diplomacy tools.

In important respects, this is the flip side of Australia’s integration of AUSAID into the Department of Foreign Affairs and Trade (DFAT), which was completed in 2014. This merger was undertaken to not only for the expected savings, but also to entrench a stronger national security mindset with respect to the deployment of Australian ODA. DFAT was perceived as being in a better institutional and cultural position to adopt a more strategic view of ODA than AUSAID, and so became the entity tasked with ensuring a whole-government approach to ODA delivery. These same principles might well apply to the US.

Another suggestion is for an enhanced entity to become the lead agency for all humanitarian, development, and stabilization programs and be granted full authority for its budget and much greater authority in the formulation of policy. This agency would be led by a director with a permanent seat on the National Security Council who would report directly to the president. Such an organizational structure would offer clear lines of responsibility and accountability. At the same time, a new global finance corporation would be created whose responsibility it is to engage the private sector and oversee and expand the use of market-based financial instruments.

This is similar to another suggestion that the nominated entity overseeing ODA be given the resources and status of a Cabinet-level department and be independent of the State and Defense Departments.

The potential problem with these suggestions is that the strategic, security, and diplomatic perspectives offered by the Defense and State Departments might have less relevance and the distribution of ODA would become less rather than more geo-strategic.

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33 Ibid.


In this report’s view, a more sensible approach is one advocated by a Center for Strategic and International Studies-convened taskforce, which recommends that USAID remain an independent entity reporting to the Secretary of State; that USAID’s development strategy complements and supplements the National Security Strategy; that new foreign assistance initiatives be overseen or implemented by USAID (unless there is a compelling case otherwise); that funds be tied to overall country strategies; and that efforts be made to identify foreign assistance programs administered by other agencies that should shift to USAID.36

Any reform undertaken must accommodate the reality of the return of great power competition. In such an environment, it would be unwise to allow the lead ODA agency to create its own policy and organizational culture independent of the entities responsible for strategic policy. Subsequently, the below principles are critical for any reform:

- Enhance and entrench strategic objectives defined by the national security community (i.e., the Defense and State Departments and the National Security Council);
- Reduce and streamline the number of entities and decision-makers so that strategic decisions in the national security interest can be properly made and rapidly deployed;
- Ensure a system of reporting and accountability to national security areas of government and include an assessment of strategic purpose and outcomes in this reporting.

ALIGNING ODA WITH THE INTEGRATED COUNTRY STRATEGIES

Integrated Country Strategies, which are currently produced by the U.S. Department of State, should emphasize the use of ODA as a strategic tool for statecraft and the advancement of national security interests. There should be programmatic details that align the country strategies of the South Pacific nations with the strategic use of ODA. Moreover, more importance needs to be placed on the South Pacific when it comes to the ongoing development of the Free and Open Indo-Pacific concept. With respect to the South Pacific nations, Integrated Country Strategies should be intimately aligned with FOIP principles and initiatives. Additionally, the monitoring, reporting, and assessment of strategic success of ODA in the South Pacific (by whichever overarching entity) should take these Integrated Country Strategies as the relevant performance standard and benchmark.

Photo: US AID relief packages being prepared for distribution in the aftermath of the 2005 tsunami along the eastern coastline of the Ampara region in Sri Lanka. (Shaul Schwarz/Getty Images)
EMBRACING BILATERAL AND MINI-LATERAL ODA DELIVERY

In 2016, around two-thirds of the over US$35 billion in US ODA was distributed through bilateral channels, with about 17 percent provided as core funding to overwhelmingly established multilateral channels and another 17 percent earmarked for multilateral organizations. These multilateral assistance organizations, which were mostly established after the Second World War, reflect broad liberal and humanitarian objectives that are broadly aligned with US national interests. However, it is far more cumbersome to deliver ODA in a timely and strategic manner through multilateral means. Bilateral delivery gives the US maximum flexibility and alignment with national objectives. Moreover, there is little evidence that recipient countries prefer ODA from multilateral sources.

With respect to the South Pacific, it makes sense for the US to explore mini-lateral ODA initiatives with like-minded countries. Doing so would enhance the narrative of a robust collective of liberal democracies seeking better and more sustainable development outcomes for South Pacific

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Photo: Aid workers and locals hand out US AID relief packages in the Ampara region of Sri Lanka following the 2005 tsunami. (Shaul Schwarz/Getty Images)

nations, counter the fear of Pacific Island nations that they have no alternative but to become beholden to China, and avoid inefficient replication of effort and/or bidding against one’s allies when pooling resources and expertise would be much more sensible. Exploring mini-lateral initiatives would also cause the US and its allies to better align their strategic and development objectives in the region.

From 2011-17, the US, Australia, New Zealand, and Japan were four of the top five sources of ODA to the South Pacific. During this period, they were the source of 88.5 percent of ODA, with China delivering 11.5 percent. It makes sense for the US to increasingly coordinate and pool ODA with these three allies.
CONCLUSION

The State Department and USAID’s Joint Strategic Plan FY 2018-2022 sets out four overarching goals for development assistance:

• Protect America’s security at home and abroad;
• Renew America’s competitive advantage for sustained economic growth and job creation;
• Promote American leadership through balanced engagement;
• Ensure effectiveness and accountability to the American taxpayer.

Within these goals, these aspects of US foreign assistance are emphasized: counter-terrorism, health, economic growth, US economic security, private sector partnership, and humanitarian relief.

Achieving these goals demands greater alignment between strategic, security, economic, humanitarian, development, and accountability objectives and does not inherently degrade the singular importance of any of these virtues. Just as the administration needs to realize the importance of ODA in achieving its stated objectives—including in the South Pacific—the champions and overseers of ODA must

respond by accepting the reality that their work is occurring in an environment of deepening great power competition.

The advantage remains with the US and its allies in the South Pacific, and we should be as optimistic as we are proactive in that region. China is making a major strategic and economic play but will not achieve economic dominance in the absence of neglect and missteps by the US and others. The self-serving narrative of inevitable Chinese dominance does not reflect current or foreseeable reality.

The small island nations occasionally resent the conditions tied to economic assistance, however appropriate they may be. But their governments and civil societies are more resentful of being beholden to or constrained by any external great power and want alternatives. China’s record of narrowly pursuing its own interest at the long-term expense of recipient nations is well known. China uses economic tools to suppress the capacity of small states to exercise their sovereign rights and privileges, while the US and its allies use the same tools to strengthen the resilience and freedom of these nations. As far as the US is concerned, these nations are neither pawns nor dispensable, but are genuine sovereign entities. The moral inequivalence between these different perspectives is obvious.

The National Security Strategy recognizes that we are in a regional and global competition with a Chinese rival holding a very different worldview. While the economic role of China in the South Pacific will undoubtedly grow, the US and its allies should remain confident that their principles and approach—if combined with appropriate resourcing and delivery—will continue to retain and win friends in the region.