ASIA SOCIETY POLICY INSTITUTE

REPORT

DEVELOPMENT AS STRATEGY: THE U.S., CHINA, AND THE GLOBAL SOUTH

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Development as Strategy: The United States, China, & the Global South

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APRIL 2025

A REPORT FROM THE ASIA SOCIETY POLICY INSTITUTE

With a solution-oriented mandate, the Asia Society Policy Institute (ASPI) tackles major policy challenges confronting the Asia Pacific in security, prosperity, sustainability, and the development of common norms and values for the region. The Asia Society Policy Institute is a think- and do-tank designed to bring forth policy ideas that incorporate the best thinking from top experts in Asia and to work with policymakers to integrate these ideas and put them into practice.

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ACKNOWLEDGMENTS

The authors wish to thank the American and Chinese experts who joined this project. We are grateful to the regional experts who participated in the trilateral convenings, including Dr. Cheng-Chwee Kuik, Dr. Cielito Habito, Dr. Zaw Oo, Mr. Natharoun Ngo Son, Ms. Anthea Mulaka, Dr. Prof. Prapaporn Tivayanond Mongkhonvanit, Dr. Antony Chapoto, Dr. Luka Biong Deng, Dr. Abdeta Beyene, and Dr. Oscar Meywa Otele. Special thanks goes to the team at the Center for International Knowledge on Development (CIKD): Dr. Zhou Taidong, Dr. Yu Lu, and Ms. Zhu Qing Yi. Lastly, we are indebted to our ASPI colleagues Emma Whitmyer, Konrad Lee, and Morgan Speece for their invaluable support and dedication to this project.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
ASPI	Asia Society Policy Institute
AU	African Union
BRI	Belt and Road Initiative
CDCS	Country development cooperation strategy
CGIAR	Consultative Group for International Agricultural Research
CIDCA	China International Development Cooperation Agency
DFC	U.S. International Development Finance Corporation
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
LICs	Low-income countries
MOF	Ministry of Finance (China)
MOFCOM	Ministry of Commerce (China)
NDRC	National Development and Reform Commission (China)
NGO	Nongovernmental organization
ODA	Official development assistance
ODF	Official development finance
OECD	Organisation for Economic Co-operation and Development
PGII	Partnership for Global Infrastructure and Investment
RCDCs	Regional Capacity Development Centers
RMB	Renminbi
SDRs	Special drawing rights
USAID	U.S. Agency for International Development

NOTE FROM THE AUTHORS

This report presents findings based on deliberations that largely took place before the 2024 U.S. elections and prior to the Donald Trump administration's steps toward dismantling the U.S. Agency for International Development, its cancellation of contracts, and cuts to U.S. foreign aid spending. We have tried to factor into the report shifts in U.S. foreign assistance policies and budgets that have occurred thus far in 2025. While these changes diminish the near-term prospects for U.S.-China development cooperation and present challenges for some of the proposals advanced in this report, opportunities may emerge in the future for coordinated international development initiatives that serve the best interests of both nations and the developing world.

INTRODUCTION

PROJECT PURPOSE & RATIONALE

International development has long played a pivotal role in shaping the economic and political trajectories of countries around the world. For hundreds of millions of people, access to electricity, food, health care, and job opportunities depends on the flow of external assistance and economic support.[1]

As two of the largest providers of international development aid and funding, the United States and China have profoundly influenced global development outcomes. But as strategic competition between Washington and Beijing has intensified, development assistance has increasingly become a battleground for geopolitical rivalry rather than a tool for promoting economic stability and growth. The politicization of aid not only comes at a high human cost but also undermines efforts to strengthen governance, economic resilience, and regional stability, raising the risk of escalating crises.

This report is the product of a project conducted by the Asia Society Policy Institute (ASPI) that builds on a series of reports by the authors analyzing China's growing overseas economic and international development activities and strategies, particularly through the Belt and Road Initiative (BRI) and its related campaigns. ASPI's previous work examined the BRI's impact on developing countries and their local populations;[2] the implications of BRI port, digital, and other investments for the United States, the West, and partner interests;[3] and strategies for China, recipient nations and communities, and third parties to mitigate the adverse effects arising from these projects and improve development outcomes.[4]

The lack of sustained official dialogue between the United States and China on these issues poses a challenge for global development. In the past, development engagement proved valuable during the Ebola health crisis and supported financing efforts that helped meet urgent development needs. Over the past decade, however, the absence of governmental engagement has prevented coordination, limited mutual understanding, and reduced the accuracy of assessments regarding each country's systems and strategies, to the detriment of the United States and China as well as development partners and recipients worldwide.

This project sought to assess the impact of the strategic rivalry and the resulting politicization of international development, including how competition between the United States and China affects recipient countries; build greater understanding between the two sides; and chart potential pathways toward deconfliction or cooperation in development activities. Ideally, China and the U.S. would coordinate their respective development initiatives. But regardless of whether some degree of bilateral coordination may yet be feasible in an improved geopolitical environment, a "structured deconfliction" approach has merit. Structured deconfliction refers to systematic efforts by recipient governments, regional institutions, and even the United States and China to reduce conflicts between the two powers, prevent investments and programs from working at cross-purposes, elevate local priorities, decrease redundancies and inefficiencies, and engineer complementarities. That can be done through host country leadership or regional frameworks, even in the absence of formal donor coordination. This approach is consistent with the findings presented in this report, which highlight the rationale for ensuring that U.S. and Chinese development policies are more responsive to the priorities, needs, and experiences of recipient countries. The report also identifies areas in which alignment between U.S. and Chinese activities could produce meaningful benefits for recipient regions and countries.

Structured deconfliction refers to systematic efforts to prevent investments and programs of the two powers from working at cross-purposes.

The Global South is at the center of major geopolitical, economic, and security challenges; how these challenges are managed will have far-reaching implications for U.S., Chinese, and global interests. While some developing countries continue to struggle with weak governance and economic stagnation, others are experiencing rapid but uneven development, putting pressure on political and institutional stability. External factors—such as climate shocks, pandemics, major power competition, global economic instability, shifting energy and resource demands, debt distress, and demographic pressures—are also shaping the landscape, creating both risks and opportunities for engagement.

For the United States, its allies, and, arguably, China, economic stability, governance capacity, and resilience in developing countries are not just development priorities—they are security imperatives. When fragile states fail, the consequences ripple outward, fueling armed insurgencies, criminal networks, illicit trafficking, and unchecked spread of infectious disease. Economic and political instability in key regions drives irregular migration flows, placing immense strain on destination countries. These risks exist alongside profound humanitarian costs, as conflict, food insecurity, and failing public health systems leave millions of people vulnerable to displacement, exploitation, starvation, and poverty. Hence, foreign aid continues to serve the national interests of major powers.

Shifts in U.S. foreign assistance policy in the early months of the second Donald Trump administration have led to significant and dramatic cutbacks in the scope and implementation of aid programs.[5] The results of these policy decisions have had real-life consequences, including the cessation of demining efforts, the closure of field hospitals, and the termination of child and maternal health supports as well as capacity building for local governance and democracy promotion programs. A number of ongoing infrastructure projects have been abruptly shut down.[6] The full impacts of these changes on recipient communities and on the United States' global standing and influence are still unfolding.

However, even before these efforts to sharply scale back foreign assistance, Western development efforts were struggling with inconsistent strategies and uncertainty about long-term commitments. In some regions, China, Russia, and Gulf states have expanded their influence by stepping into the gaps left by Western disengagement, while in others, the effectiveness of Western-led initiatives has been undermined by shifting priorities and limited coordination, making it difficult to achieve lasting impacts.[7] Western initiatives such as the Global Gateway and Build Back Better World have suffered from delayed rollouts and limited funding commitments, which has reduced their appeal to partner countries.[8]

For China, challenges in the Global South affect both its economic ambitions and its broader efforts to position itself as the leader of the developing world. Beijing frames its Belt and Road Initiative and subsequent initiatives, including the Global Development Initiative, as models of South-South cooperation, built on "win-win cooperation," mutual benefit, and shared economic growth. At the same time, Beijing is responding to concerns by some countries over debt and environmental sustainability, governance challenges, and financial transparency. In some regions, economic distress and social or political turmoil have complicated China's access to critical resources and markets, which are necessary to sustain its growth. Responding to these concerns and domestic financial strains, Beijing has recalibrated its approach and is shifting toward smaller-scale projects, offering selective debt relief, and modifying financing terms to address questions surrounding the long-term sustainability of overseas initiatives and projects.

PROJECT STRUCTURE & PROCESS

The purpose of the project was to provide a structured, unofficial platform for U.S. and Chinese development practitioners and experts to engage in substantive discussions about their approaches to international development. Given the lack of formal U.S.-China coordination on development issues, the project was designed as a Track 2 initiative, bringing together experts from the two countries to engage in frank, policy-relevant discussions that are not currently taking place at the government level.

Structured in two phases, the project began with bilateral engagements between U.S. and Chinese experts and then expanded to trilateral convenings that integrated perspectives from the Global South. The first phase focused on establishing closed-door Track 2 discussions between senior U.S. and Chinese development experts. The bipartisan U.S. delegation included four distinguished development scholars and practitioners who were selected for their extensive experience in the U.S. Agency for International Development (USAID), international nongovernmental organizations (NGOs), and academia. The Chinese delegation consisted of four prominent development specialists with significant experience with and deep connections to China's policymaking institutions, including universities, and government-affiliated think tanks. The names of the U.S., Chinese, and regional expert participants are not listed in this report, in keeping with the confidential nature of the dialogues. However, a variety of written and video commentary by participants can be accessed on the report's website: AsiaSociety.org/Policy-Institute/DevAsStrategy.

The first phase of the project involved a series of in-person convenings held in April and June 2024 in Washington, D.C., and Beijing, respectively, that were designed to ensure a comprehensive examination of development engagement models, financing approaches, and implementation structures. Discussions covered the historical evolution of U.S. and Chinese international development strategies, the role of governmental and nongovernmental actors, and the challenges and successes of each country's development initiatives. In addition to expert dialogue, the convenings included meetings with government officials, academic representatives, and policy advisors from both capitals.

The second phase of the project expanded the dialogue to trilateral convenings held in Bangkok, Thailand, and Nairobi, Kenya, that incorporated perspectives from regional development leaders, government officials, and representatives from regional multilateral institutions. These discussions explored how recipient countries engage with U.S. and Chinese development models, examined the role of regional institutions as both buffers and supports structuring external engagement, and assessed where outside assistance could be better aligned with local priorities.

ASPI did not set out to produce joint policy recommendations or to promote formal U.S.-China development cooperation through this project. Instead, the focus was on capturing and analyzing perspectives from key stakeholders—in both Washington and Beijing and in the Global South—to generate pragmatic insights into how each actor's development engagement could be made more effective and less contradictory. This report does not speak for the U.S. or Chinese governments, nor does it claim to represent all communities in the Global South. However, the dialogues provided a broad and credible cross section of perspectives, highlighting the ways in which inefficiencies in development programs could be reduced, contradictions mitigated, and external assistance made more sustainable and responsive to local needs.

To ensure an open and constructive exchange, the discussions were conducted under the Chatham House Rule,[9] allowing participants to share insights freely without direct attribution. Sessions were thematically structured, drawing on background research and expert inputs to ground the discussions in evidence-based policy analysis. Global South representatives played an active role, shaping the discussions and challenging the assumptions of both the U.S. and Chinese delegations. The process incorporated real-time synthesis of discussions, enabling participants to reflect on policy gaps, institutional differences, and areas in which external development engagement could be improved.

Even with the dismantling of USAID and the ensuing uncertainty surrounding the future of U.S. foreign assistance, both U.S. and Chinese project participants strongly affirmed the enduring value to both countries and to the Global South of sustained engagement and investment in international development activities.

The project created a rare platform for candid and informed senior-level discussions on U.S. and Chinese development engagement, integrating the perspectives of recipient countries in a meaningful way. While formal governmental coordination on development remains unlikely, the process highlighted the structural challenges that shape international development engagement and the broader institutional dynamics that influence external funding and investment, underscoring the need for greater coherence between donor strategies and the priorities of recipient countries.

Even with the dismantling of USAID and the ensuing uncertainty surrounding the future of U.S. foreign assistance, both U.S. and Chinese project participants strongly affirmed the enduring value to both countries and to the Global South of sustained engagement and investment in international development activities. One of the group's main conclusions was that for recipient countries, greater alignment among major donors would improve the effectiveness of financial and technical assistance while reducing inefficiencies, including unnecessary duplication of effort and misallocation of limited domestic resources. For China and the United States, structured engagement in international development efforts would allow each country to advance its economic and strategic interests while promoting global stability and sustainable growth.

DIVERGENT U.S. & CHINESE DEVELOPMENT APPROACHES

U.S. development assistance and Chinese development cooperation operate under different paradigms, although both countries have used aid or development as an instrument of foreign policy to advance national security, geopolitical influence, and commercial interests. While U.S. foreign aid has historically emphasized democratization, governance, poverty reduction, and economic growth, it has also been shaped by foreign policy objectives, particularly in response to conflicts and strategic competition. Since the 9/11 terrorist attacks and amid mounting geostrategic friction, U.S. aid and assistance have been increasingly and explicitly linked to national security priorities.[10] The elevation of development as a national security tool was illustrated by former President Joe Biden's decision to include the USAID administrator as a standing member of the National Security Council and to frame "combating authoritarianism" as a key objective of development policy.[11] Secretary of State Marco Rubio has reinforced this approach by insisting that any U.S. foreign assistance must be shown specifically to make the United States safer, stronger, and more prosperous.[12]

Beijing frames its engagement as international development cooperation rather than what is considered traditional development assistance. Unlike the United States, China does not identify itself as a donor country, nor does it participate in the Organisation for Economic Co-operation and Development (OECD) framework. Its foreign aid is not classified as official development assistance (ODA) under the OECD definitions.[13] (Note: what China does could be classified as Official Development Finance (ODF) under OECD definitions, but China does not report to the OECD-Development Assistance Committee.) Beijing instead opts for a model that it designates "South-South cooperation." Rather than make an explicit connection to national security objectives, the Chinese government appears to regard its international development cooperation as mutually beneficial "win-win" cooperation. Thus, it is seen as legitimate for Chinese companies to benefit from development projects and for recipient states to reciprocate through political alignment with China.[14]

Based on our analysis, while not the official view of the People's Republic of China, Beijing's international development engagement in practice incorporates two components. One is foreign aid or international development cooperation, focused on promoting "autonomous development" in recipient states through infrastructure and capacity building as well as the sharing of China's development experience. Foreign aid is coordinated by a recently created government agency called the China International Development Cooperation Agency (CIDCA). The other mechanism is economic cooperation, which includes trade, investment, and nonconcessional financing through policy banks, and in some cases, state-owned enterprises.[15] Accordingly, the BRI would be classified as an economic cooperation initiative as opposed to foreign aid because it aligns with China's strategy to foster connectivity and

China Donates Sinovac COVID-19 Vaccine to Cambodia
China News Service/Getty Images. November 17, 2021.

economic linkages.[16] This distinction between international development cooperation and economic cooperation has important implications for the way that China structures and engages in international development engagements.

While both Republican and Democratic administrations have made some changes to America's foreign assistance strategy, for decades, U.S. foreign aid has consistently been directed toward four priorities: economic growth, social sector development (particularly global health), democracy and governance, and humanitarian response.

In contrast, China—reflecting its own experience—has emphasized the importance of development as a technology-centered modernization process with economic growth anchored by state-led investments in transportation, energy, and digital infrastructure.[17] The Xi Jinping administration has advanced this approach through the BRI, prioritizing physical and digital infrastructure along with economic connectivity with Chinese manufacturers and markets.[18] One example is the Pakistan-China Fiber Optic Project under the China-Pakistan Economic Corridor, a flagship BRI initiative. The project enhances digital connectivity between China and Pakistan, supporting trade, telecommunications, and data security.[19]

> **China—reflecting its own experience—has emphasized the importance of development as a technology-centered modernization process with economic growth anchored by state-led investments in transportation, energy, and digital infrastructure.**

A key distinction between the approaches of the United States and China is how each government finances and administers development projects and assistance. Traditionally, U.S. foreign aid has been highly institutionalized; however, it involves multiple layers of decision-making, including the president, the House and Senate, and various agencies such as USAID, the Department of State, and the Department of Defense, which at times have competing priorities and objectives. Aid budgets have been allocated annually, with Congress approving funding and setting priorities. Oversight has been conducted by Congress and multiple agency accountability offices, ensuring transparency but sometimes leading to delays and bureaucratic complexity.[20] Policy shifts in early 2025 have raised questions about precisely how this model may be altered.

In the past, USAID worked with local stakeholders during the planning and design stage to undertake needs assessments and ensure that projects were aligned with national priorities and sustainable development goals.[21] USAID missions worked with host country government officials and public and private stakeholders to develop a country development cooperation strategy (CDCS), which outlined the objectives, goals, expected results, country challenges, relevant U.S. foreign policy priorities, and performance metrics and indicators for programs and initiatives.[22] In 2017, USAID initiated the "Journey to Self-Reliance," which sought to advance partners' capacity to develop, finance, and implement solutions for local development challenges, and metrics toward this goal were incorporated into country plans.[23] This approach influenced the design of country strategies, with self-reliance metrics incorporated into CDCS plans. The CDCS served as the foundation of the agency's planning and budgeting process, guiding the development of projects.

China's development financing process, on the other hand, is project based and project driven. It is negotiated primarily at the bilateral level with recipient governments by either the Chinese government or state-owned entities. In contrast with the multiyear planning frameworks and governance-linked conditions of the traditional U.S. model, China's approach features project-specific agreements with national governments and lacks many of the conditions usually included in ODA. However, some research indicates that China's aid allocation can be influenced by domestic political factors. While there is a bidding and tendering process, Chinese foreign aid projects are predominantly awarded to state-owned firms. This effectively serves as a domestic economic stimulus mechanism while, at the same time, generating domestic employment and helping to mitigate internal economic problems.[24] This dynamic was seen during the initial stages of the BRI, when Beijing used the initiative to address China's excess capacity in industrial sectors, including steel and cement.[25]

In the Chinese system, financing and oversight of international development cooperation are divided along three lines: resource mobilization, policy design, and implementation. The State Council sets general policy direction and guidelines, approves budgets for foreign assistance and development projects, and oversees overall strategic orientation. CIDCA, established in 2018, is now responsible for coordinating foreign aid, approving concessional loans, conducting foreign aid negotiations, formulating strategic guidelines, setting country-specific aid policies, and overseeing the monitoring and evaluation of foreign aid projects.[26] The Ministry of Finance (MOF) manages funding allocations to the relevant ministries and policy banks. The Ministry of Commerce (MOFCOM)—which oversaw China's foreign aid prior to CIDCA's establishment—continues to implement much of China's international development cooperation, particularly infrastructure projects and technical assistance programs.[27]

Project implementation and monitoring reflect these structural differences. From the initial design and planning stages to implementation and monitoring and evaluation, U.S. development initiatives have typically been long-term efforts, emphasizing sustainability, institutional capacity building, local partnerships, and rigorous impact assessments. As part of the implementation process, USAID, along with implementing partners, independent firms, and local governments, conducted monitoring and evaluation of the project throughout its life cycle. The rigorous oversight and procurement, while intended to ensure accountability and effectiveness, often resulted in delays—the procurement process alone for USAID projects previously took over a year.[28] In addition, the agency faced issues with the evaluation of projects and their impacts: Fewer than half of project impact evaluations met USAID's own criteria for an impact evaluation, and less than 5% of such assessments were considered to be of the highest quality.[29] This problem in the evaluation process resulted in the continued funding of projects and initiatives that were either ineffective or only partially achieved grant expectations.[30]

In comparison, Chinese projects have tended to be commercially based, infrastructure focused, and rapidly executed. However, the advantages of speed and flexibility have in some cases been offset by limited due diligence, pre-project planning, project monitoring and transparency, or post-completion evaluation.[31] One factor is the relatively limited institutional capacity dedicated to overseeing China's foreign aid efforts. Overall, CIDCA has roughly 100 staff, composed mainly of former MOFCOM, Ministry of Foreign Affairs, and MOF officials—a small number compared with agencies like USAID that have a similar scope of responsibilities. This limited capacity makes it difficult for CIDCA to manage the volume of work involved in evaluating and monitoring Chinese foreign aid and related projects that are under its purview.[32] In addition, Chinese embassies and consulates reportedly often lack the human resources and technical expertise needed for adequate monitoring of projects in host countries.[33]

However, CIDCA has taken steps to improve its ability to monitor and evaluate projects through a framework called the Foreign Aid Project Evaluation system, which is intended to serve as a "whole project cycle system."[34] Under this framework, CIDCA has issued standardized guidelines, commissioned third-party assessments by Chinese research institutions, and begun to publish evaluation summaries to enhance transparency.[35]And since 2021, China's approach has reflected a shift to "small is beautiful" projects and a growing emphasis on digital infrastructure in place of the "hard" infrastructure mega-projects that characterized the BRI's earlier years. "Small is beautiful" likely reflects

China's response to both domestic fiscal constraints and international pushback over debt sustainability concerns. President Xi Jinping's speech at the 2023 BRI Forum formally endorsed this shift, emphasizing cost efficiency and "small yet smart" projects.[36]

Refugees in the Zanzalima IDP Camp Receive a Delivery from USAID
J. Countess/Getty Images. December 17, 2021.

Both the United States and China have adapted their financing models in response to financial constraints, geopolitical shifts, and lessons learned from past projects. Over the past decade, the United States has been shifting toward blended finance and public-private partnerships, seeking to leverage private capital and multilateral engagement. The U.S. International Development Finance Corporation (DFC) has mobilized private capital through loans, guarantees, and equity investments that support infrastructure, energy, and digital projects in developing markets. It has also worked to help de-risk projects, facilitating U.S. private sector investment. This model could align with the Trump administration's preference for reduced government spending, and there have reportedly been discussions within the administration about revamping the DFC's operations to enhance its role in deploying U.S. economic power.[37] For its part, China is transitioning from large-scale concessional loans to smaller, more targeted, regionally integrated projects, reflecting both domestic fiscal realities and growing debt concerns among recipient countries.[38]

PERSPECTIVES FROM THE GLOBAL SOUTH

EXPERIENCES WITH U.S. & CHINESE DEVELOPMENT

Over the course of ASPI's trilateral convenings in Southeast Asia and Africa, participants from the two regions expressed largely consistent views of the U.S. and Chinese development approaches. At the same time, they also described distinctly different experiences, reflecting contrasts in priorities, implementation models, execution, and overall impact.

Nearly all participants agreed that U.S. aid has traditionally emphasized governance, institutional capacity building, and social sector investments, but they noted that its bureaucratic processes—lengthy approval timelines, cumbersome pre-project due diligence, and governance-linked conditionalities—often slowed implementation and limited flexibility. In contrast, China's government-to-government approach was viewed as faster moving and heavily focused on large-scale infrastructure, but participants reported concerns about opaque financing terms; debt sustainability; limited local engagement, buy-in, and procurement; and inadequate capacity building in recipient countries.

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In both Southeast Asia and Africa, local participants acknowledged that Chinese-funded transport, energy, and connectivity projects have addressed major infrastructure gaps. Some noted that China's noninterference policy allows recipient governments to negotiate deals that serve short-term political interests, rather than arrangements that are more sustainable and better aligned with national development goals. Meanwhile, participants characterized U.S. engagement as more focused on institution building, regulatory alignment, and governance reforms; however, they also expressed concern that shifting political priorities in Washington are making U.S. development efforts inconsistent and difficult to rely on over the long term.

In Southeast Asia, participants expressed frustration with the lack of follow-through on U.S. economic initiatives. They also worried that past administrations' heavy focus on security partnerships in the region had left broader U.S. economic engagement underfunded and chronically secondary to strategic competition with China.

In Africa, participants cited the historical impact of U.S. programs like the President's Emergency Plan for AIDS Relief and Feed the Future. However, they noted that even before Trump's return to the White House, Western assistance had become increasingly less predictable, while Chinese financing has remained steady and more responsive to recipient government priorities.

PERCEPTIONS OF THE UNITED STATES & CHINA

Governments and regional leaders in both Southeast Asia and Africa stressed that their priority is to diversify partnerships rather than align with one power. They seek development engagement that supports national objectives and economic priorities, instead of being shaped by external geopolitical competition.

Women Empowerment in an AIDS Ridden Society
Brent Stirton/Getty Images. December 01, 2006.

Regional experts cited survey data from Southeast Asia and Africa as barometers of the shifting perceptions of the United States and China. In Southeast Asia, despite China's increasing international development engagement, especially through the BRI, confidence in China's leadership remains low. According to the Institute of Southeast Asian Studies–Yusof Ishak Institute's 2024 State of Southeast Asia Survey, a majority of respondents had little to no confidence that China would act responsibly in contributing to global prosperity, peace, governance, and security.[39] Confidence in the United States also dipped significantly, with countries expressing growing apprehension over U.S. economic disengagement from the region.[40]

In Africa, the 2023 Afrobarometer survey found that among the countries surveyed, the continent's perceptions of both the United States and China as positive influences dropped significantly. From 2019 to 2023, favorability ratings for China fell 10%, and the United States saw an 11% decline.[41] While these surveys did not specifically address development assistance, they are illustrative of broader shifts in the ways that both Southeast Asian and African nations view U.S. and Chinese engagement.

Participants in the trilateral convenings echoed these findings, describing dissatisfaction with aspects of both U.S. and Chinese development engagement. Some participants criticized U.S. assistance as slow moving, overly bureaucratic, and politically conditional. Meanwhile, China's reputation was described as damaged in several countries over concerns about debt, labor practices, and resource extraction agreements that were seen as disproportionately benefiting external actors over host communities.

Regional institutions such as the Association of Southeast Asian Nations (ASEAN) and the African Union (AU) were described as key mechanisms for structuring engagement with external powers in ways that maintain local agency and ensure that external projects align with long-term regional strategies. Many participants viewed these institutions as potentially useful in mitigating contradictions between U.S. and Chinese development efforts, helping to align engagements with regional plans and needs, ensuring more predictable financing, and reducing problems that stem from geopolitical competition.

COMMON THEMES FROM THE TRILATERAL CONVENINGS

Host Country Agency in Development Engagement: Recipient countries are not passive actors but exercise agency in project initiation, negotiation, and implementation. They actively shape their engagement with external partners, seeking development models that align with their needs rather than frameworks imposed by geopolitical competition. They are reluctant to depend on any single actor and seek and encourage greater diversity in their development engagements.

In both Southeast Asia and Africa, host countries play a role in shaping projects. For example, Laos proposed the Vientiane to Boten Railway to China, while in Malaysia, local authorities championed the Second Penang Bridge and the Kuantan Industrial Park.[42] Participants stressed that it "takes two to tango"—flawed deals could not be blamed solely on external partners like China because responsibility also rested with the host governments that negotiated the project terms and were partly responsible for oversight. A key issue is the lack of capacity within host governments to develop infrastructure projects that are structured correctly and are attractive to external investors. Governments in both Southeast Asia and Africa continue to confront a lack of bankable projects in which public and private sector can invest.[43]

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International development engagement is not a binary choice between the United States and China for recipient states, and the diversity of international donors benefits recipients by providing them with choices and leverage in their engagements. As an illustration, in Southeast Asia, Japan is the leading provider of ODA, surpassing all other actors.[44] Japan is a leader in the provision of educational and human resource capacity-building programs in the region, partnering with the United States and others in development projects in the region, including the Japan-U.S.-Mekong Partnership, which provides technical assistance and helps facilitate the clean energy transition.[45] Amid the overall reduction in development aid from the West, the United Arab Emirates has stepped up, and it is positioned to be the largest development partner to Africa in the next five years, as well as the largest funder of new business projects.[46] An example of multiple partners working together on infrastructure is the Lobito Corridor, in which the United States and the European Union, through the Partnership for Global Infrastructure and Investment (PGII), are co-investors.[47]

China's Ambitious High-Speed Rail Expansion into Southeast Asia
Lauren DeCicca/Getty Images. April 13, 2024.

Debt Sustainability and Financial Transparency: Debt sustainability is a major concern, with many countries seeking more transparent financing terms and stronger debt management mechanisms.

Some participants expressed frustration with opaque loan agreements and the difficulty of restructuring debt with Chinese lenders as a result of China's case-by-case approach, resistance to debt cancellation, and reluctance to participate in multilateral debt relief mechanisms.[48] Although they acknowledged these problems, some participants rejected the "debt trap" narrative as overly simplistic. Some also pointed to the rigid conditions and slow-moving processes of Western financial institutions as a separate challenge.

Unlike multilateral lenders such as the World Bank or Paris Club creditors, which offer transparent, standardized restructuring frameworks, China's debt renegotiations remain opaque partly because of the inclusion of confidentiality and other clauses in the contracts.[49] Chinese policy banks typically engage in bilateral, case-by-case negotiations with no clear criteria for relief, making it difficult for recipient countries to anticipate or plan for restructuring. This approach has led to significant delays in debt resolution and complicated efforts by international financial institutions to coordinate broader debt relief mechanisms. For instance, Zambia and Sri Lanka have faced prolonged uncertainty in their debt negotiations with China, limiting their ability to stabilize public finances and access alternative funding sources.[50]

Some Southeast Asian experts highlighted China's increasing use of syndicated loans with multilateral lenders, such as the World Bank, as a risk-sharing mechanism, signaling a shift in its financing approach.[51] Co-financing has been shown to improve projects' outcomes, resulting in fewer canceled or suspended projects and better environmental performance.[52]

African participants raised concerns about domestic corruption, weak local oversight, and poor regulatory frameworks that undercut the effectiveness of external development finance. Some emphasized the need for stronger governance and local accountability mechanisms to ensure more effective and mutually beneficial project outcomes.

Sustainable Infrastructure Investment: Infrastructure investment is essential but must include local procurement, environmental protections and mitigation plans, workforce development, and technology transfer to ensure long-term benefits for the population and social, economic, and environmental sustainability. Without local capacity building, externally funded projects risk becoming underutilized, poorly maintained, or politically contentious.

Southeast Asian participants stressed that U.S. efforts to promote "high standards" often lack practical incentives, while China's financing is more readily accessible and aligned with infrastructure priorities. While China has helped to address recipient states' infrastructure gaps, interlocuters relayed that the limited expertise and capacity of staff at embassies and consulates can make it difficult for China to undertake assessments of projects proposed by recipient countries. The result has been projects that are not necessarily financially or commercially sustainable for either side.

Participants also felt that infrastructure projects need stronger local capacity-building components, including clear maintenance frameworks and technology transfer, to ensure sustainability beyond the construction phase.

Investment-Led Growth: Participants favored foreign direct investments, joint ventures, and private sector–led initiatives over traditional donor-driven models. They viewed trade and investment, rather than aid, as the most effective drivers of sustainable economic development.

Some African participants noted that heavy reliance on external financing limits local ownership, reinforcing dependence on foreign technical expertise and capital rather than fostering domestic industrialization and self-sufficiency.

Other participants stressed that U.S. economic initiatives often lack coherence and distinct branding, leading to confusion about the different programs, including PGII, Blue Dot Network, and Build Back Better World. In some regions, U.S. economic engagement has been overshadowed by its security and defense priorities, contributing to gaps in development financing and investment.

Alignment of U.S.-China Efforts: Participants indicated that better policy coordination between the U.S. and China—whether through regional institutions such as ASEAN and the AU or multilateral platforms such as the World Bank, the Asian Development Bank, or the African Development Bank—could help reduce redundancies and contradictions in development efforts.

Differences in infrastructure standards, financing mechanisms, and investment priorities have led to inefficiencies such as duplicative projects, mismatched regulatory requirements, and competing debt financing models. Some participants argued that structured engagement could help harmonize regulatory approaches, improve debt transparency, and create opportunities for financing models that blend China's capital-intensive infrastructure investments with U.S. expertise in governance, sustainability, and capacity building. Moreover, better coordination in areas like climate resilience and capacity building could maximize impact while reducing risks for recipient countries and investors. Structured deconfliction could be a practical means of ensuring that competing investments work toward sustainable development rather than fueling wasteful parallel initiatives. These types of initiatives must coexist with the reality that some recipient governments may leverage competition strategically to maximize their negotiating position or economic advantage. Nevertheless, governments that effectively integrate infrastructure financing with capacity building, regulatory alignment, or trade facilitation measures can engineer development programs that serve long-term national interests rather than external competition.

Structured deconfliction could be a practical means of ensuring that competing investments work toward sustainable development rather than fueling wasteful parallel initiatives.

SECTORAL PRIORITIES FOR DEVELOPMENT IN SOUTHEAST ASIA & AFRICA

While development needs vary by region, several shared priorities emerged.

Investments in roads, railways, ports, and digital infrastructure and connectivity remain critical to economic growth. Participants emphasized the importance of aligning infrastructure projects with national development agendas and ensuring that projects are appropriately sized, sustainable, and integrated into regional trade networks. Concerns about debt sustainability and the need for more transparent financing models were recurring themes related to transportation and connectivity projects.

Job creation and workforce skills training are seen as essential to sustainable long-term industrialization and economic diversification. Reducing dependence on raw material exports and extractive industries requires expanded vocational training, technology transfer, and local hiring and procurement commitments in externally funded projects. Some participants also stressed the need for stronger support for small and medium-sized enterprises to ensure inclusive and sustainable economic growth.

Participants highlighted the importance of **strengthening health care systems** for public health and pandemic preparedness. Both Southeast Asian and African participants underscored the need for investments in primary health care, health workforce capacity, and disease surveillance systems. Participants also pointed to opportunities for localized vaccine manufacturing and cold storage facilities to improve supply chain resilience.

Both regions prioritize **food security and climate resilience**, seeing a pressing need for investments in sustainable agriculture and climate adaptation. Participants stressed the importance of irrigation systems, soil restoration, and improved water management infrastructure, particularly in areas facing increasing climate stress. Some also noted the importance of integrating climate-smart agriculture and leveraging digital tools for precision farming. Promoting technological innovation adapted to local conditions and investing in research and development would increase productivity, efficiency, and resilience. It would also rejuvenate the agriculture sector by attracting young workers and mitigating the problem of workforce aging.

Energy security and the transition to renewable energy are growing priorities across both regions. Countries seek investments in power generation, grid modernization, and renewable energy sources such as solar, wind, and hydropower to meet rising energy demands while reducing reliance on fossil fuels. Participants emphasized the need for energy access in underserved areas, integration of renewable energy into existing grids, and exploring blended finance models to de-risk renewable energy investments.

Technology transfer and digital infrastructure development are increasingly central to economic modernization. Governments in both regions prioritize expanding broadband access, e-governance platforms, and AI-driven industries while addressing cybersecurity risks and regulatory challenges. Participants highlighted the need for stronger local capacity building in digital sectors to ensure that technology investments lead to long-term economic transformation rather than dependency on external providers. Some also stressed the importance of regional digital trade policies and harmonized regulations to create a more integrated digital economy.

STRATEGIES FOR NAVIGATING THE U.S.-CHINA RIVALRY

Governments in both regions have developed a number of pragmatic approaches to managing major-power competition, aiming to maximize benefits while minimizing risks. Many participants stressed that developing country governments need clear long-term strategies to avoid reactive, short-term, and opportunistic decision-making when presented with external financing offers to avoid unsustainable debt or misaligned projects.

Regional institutions including ASEAN and the AU can play important roles as buffers, setting frameworks and plans that encourage structured engagement by the United States and China, reducing pressure for direct geopolitical alignment.

Some governments use U.S.-China competition to negotiate advantageous terms and benefits, while others struggle with the pressure and political trade-offs involved in balancing relationships with the two countries. Some participants warned that leveraging U.S.-China competition to negotiate more favorable terms carries risks, particularly when short-term transactional deals lead to long-term debt burdens or to projects that fail to maximize local economic benefits.

Regional institutions including ASEAN and the AU can play important roles as buffers, setting frameworks and plans that encourage structured engagement by the United States and China, reducing pressure for direct geopolitical alignment. ASEAN has taken a structured deconfliction approach as part of its ASEAN 2025 Agenda, which seeks to align external investments with regional trade and infrastructure priorities. This has allowed ASEAN member states to leverage both Chinese capital-intensive infrastructure projects and U.S. support for governance, digital infrastructure, and supply chain security. By structuring external engagement in this way, ASEAN has facilitated parallel investments that complement rather than conflict with each other. However, institutions such as ASEAN and the AU face significant human resource and capacity constraints, limiting their ability to shape development finance and policy decisions. Participants emphasized the importance of regional states continuing to invest more in these institutions to strengthen their influence.

Similarly, multilateral financing institutions, including the World Bank, the Asian Development Bank, and the African Development Bank, are viewed as useful intermediaries for helping to align U.S. and Chinese financing with local priorities rather than geopolitical competition. While participants observed that both China and the United States prefer bilateral dealings, they felt that regional coordination could help recipient countries engage on more equal footing and ensure that projects align with broader national and regional development frameworks. Regional coordination, potentially facilitated by multilateral financing institutions, could help ensure that recipient governments take the lead in defining financing priorities rather than allowing them to be driven by external funders.

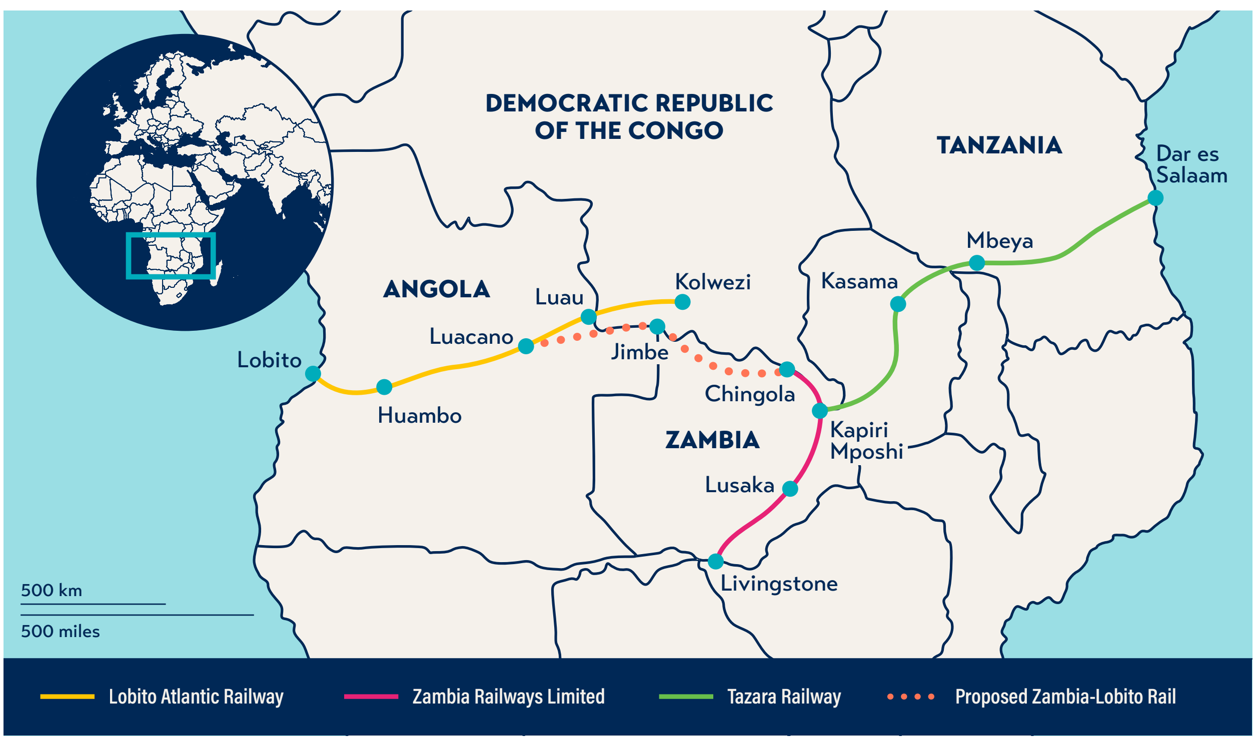
Many governments are increasingly prioritizing issue-based collaboration in sectors like health, climate resilience, and trade, which are seen as less politically sensitive than security or governance. This allows countries to engage with both major powers without being drawn into broader geopolitical tensions.

KEY FINDINGS: CHALLENGES & STRUCTURAL BARRIERS TO EFFECTIVE DEVELOPMENT

THE COSTS OF DEVELOPMENT FRAGMENTATION

Geopolitical fragmentation and lack of structured coordination undermine development efficiency, leading to competing infrastructure projects, overlapping financing initiatives, uncoordinated debt agreements, and conflicting economic corridors that do not support regional integration. Failure to align technical standards has resulted in misaligned investments in sectors like digital infrastructure, logistics, and energy. The competing economic and transportation corridors in Africa provide an example of this dynamic. The Lobito Corridor, backed by the United States and the European Union, connects Zambia, the Democratic Republic of the Congo, and Angola. It seeks to rival the Chinese-financed Tazara Corridor, which connects Tanzania to Zambia. At stake is access to critical minerals, a Chinese-dominated market in which the United States and Europe seek to gain a foothold.[53] While the two corridors represent substantial investments and offer significant economic and connectivity opportunities for the African states involved, there is no cohesive strategy for integrating them in a way that prioritizes Africa's regional trade interests over external competition.

FIGURE 1 MAP OF LOBITO AND TAZARA RAILWAY LINES[55]



The lack of coordination between Washington and Beijing has wasted financial and human resources and complicated recipient countries' ability to manage their own development trajectories. Chinese infrastructure investment and U.S. capacity-building programs are not designed to be complementary, resulting in costly inefficiencies. Uncoordinated financing of development initiatives has led to increased debt burdens, environmental damage, and inefficient use of resources in some recipient countries. Southeast Asia's Mekong region exemplifies how competing initiatives and programs supported by the United States and China can create fragmented and wasteful development efforts.

The United States has prioritized sustainable development and environmental resilience in the Mekong region through the U.S.-Mekong Partnership. At the same time, China supports a competing framework, the Lancang-Mekong Cooperation mechanism, and has financed large-scale canal and dam projects that have altered water flows and disrupted ecosystems. As a result of the lack of coordination between these efforts, U.S.-backed conservation programs have failed to prevent environmental damage; further, they are often designed to mitigate the environmental impacts of Chinese infrastructure investments after the fact. This fragmented approach has exacerbated the economic and ecological costs, leading to drought, fishery collapse, and destabilizing agricultural losses.[54] Better alignment of infrastructure financing with sustainability initiatives could prevent such inefficiencies and reduce the burden on governments in countries along the Mekong.

A related challenge is the significant diplomatic strain placed on recipient countries, which must navigate competing pressures from the United States and China. Governments are often pushed into a difficult position in which cooperating with one power risks political or economic repercussions from the other. This dynamic creates undue burdens on recipient states that are simply seeking support for their development needs without being drawn into geopolitical rivalries.

Political obstacles to coordination between Chinese infrastructure investments and U.S. capacity-building programs and other assistance have increased. While explicit U.S.-China cooperation remains unlikely, to the extent that Global South governments and regional institutions can directly shape alignment between infrastructure investments and governance and capacity-building initiatives—or to the extent that they can leverage multilateral mechanisms to coordinate financing—there may be opportunities to maximize development impact without requiring explicit U.S.-China cooperation.

The 2025 U.S. foreign assistance freeze has underscored the risks of unpredictable engagement, reinforcing perceptions that China offers more stable long-term financing, albeit with fewer safeguards on governance and debt sustainability.

BALANCING MODALITIES IN DEVELOPMENT FINANCE

China's concessional lending model has made infrastructure investments accessible, but it has also raised serious concerns about sovereign debt risks. Many recipient countries now seek greater transparency, improved debt renegotiation mechanisms, and diversification of financing sources to avoid reliance on a single lender.

The U.S. approach to development finance—through blended financing, private sector engagement, and grants—is often viewed in recipient countries as more sustainable but also slower moving and burdened by what recipient countries frequently consider overly restrictive rules or conditionalities.

Developing nations increasingly prefer financing options that provide flexibility, with many governments advocating for easier access to special drawing rights (SDRs), regional financing mechanisms, and pooled development funds that reduce dependence on any single donor or lender.

DEMOGRAPHIC & STRUCTURAL CHALLENGES IMPACTING DEVELOPMENT

About 60% of Africa's population is under the age of 25, and that demographic is projected to grow significantly over the next decade.[55] In the next 10 years, more young Africans will join the workforce annually than in the rest of the world combined.[56] The continent's youth surge requires urgent job creation and workforce development to prevent economic stagnation or collapse, political unrest and social instability, strain on resources and services, and the risk of radicalization—problems that could drive disease, migration, and violent extremism in and beyond the region.

Rapid urbanization and shifting economic structures necessitate investments that prioritize industrial diversification, workforce training, and local value-chain development, rather than extractive resource-based models that reinforce economic dependence on commodities. Failure to transition beyond commodity-driven growth risks entrenching economic vulnerability and inequality, making countries more susceptible to destabilization.

Rapid urbanization and shifting economic structures necessitate investments that prioritize industrial diversification, workforce training, and local value-chain development, rather than extractive resource-based models that reinforce economic dependence on commodities.

Southeast Asia confronts a different demographic dynamic—an increasingly aging workforce. The region's population aged 60 and older is expected to grow to nearly 14% in the next five years and to roughly 20% by 2050.[57] Southeast Asia's aging workforce will require long-term strategies to enhance labor market resilience and investments in technology and digital upskilling to sustain economic productivity.

LOCAL AGENCY, REGIONAL INSTITUTIONS, & NATIONAL DEVELOPMENT FRAMEWORKS

Developing countries are not passive recipients, but rather are actively shaping their engagement with external partners, seeking to balance U.S. and Chinese offers to best suit their national interests. Kenya offers an example of how states can benefit directly from both U.S. and Chinese engagement. Kenya secured Chinese financing for the Mombasa-Nairobi Standard Gauge Railway[58] and obtained U.S. support and capacity building for trade logistics, customs modernization, and port efficiency. Kenyan authorities, balancing U.S. and Chinese engagement, were able to get what they needed out of both partners. This approach prevented duplication, maximized benefits, and demonstrated how host governments can align external investments with national priorities.

Regional organizations such as ASEAN and the AU have sought to structure external engagement to ensure that these projects align with regional economic strategies like ASEAN 2040 and the AU's Agenda 2063. However, their effectiveness remains constrained by limited enforcement power, uneven member state commitment, and resource shortfalls, which often weaken institutions' practical ability to meaningfully shape or coordinate external engagements. Without stronger institutional capacity and more cohesive regional leadership, their ability to counteract external pressure will remain limited.

Multilateral institutions, such as the Asian Development Bank and the African Development Bank, are seen as useful intermediaries for aligning U.S. and Chinese investments, particularly if direct coordination between Washington and Beijing is politically infeasible.

Local ownership remains a critical priority for recipient countries, with governments and regional stakeholders advocating for greater technology transfer, expanded workforce training, and increased participation of local firms both in terms of procurement and employment in externally funded projects.

PROPOSALS FOR U.S.-CHINA ALIGNMENT

1. CHINA'S PARTICIPATION IN DONOR COORDINATION MEETINGS

China could decide to participate in host government-led development donor meetings to improve coordination, reduce redundancies, and enhance impact. Previously, USAID's bilateral and regional missions sent representatives to these meetings in sub-Saharan Africa and Asia. China has largely remained absent from these forums. Engagement in this manner would promote better alignment of international development efforts with host government priorities and improve coordination with other development partners at the country level.

How It Would Work: Host governments, usually through their ministries of finance or planning, would convene these donor meetings to facilitate communication between development partners and to ensure that foreign assistance—including South-South cooperation—aligns with national priorities. China's participation would help streamline program planning, reduce inefficiencies, and allow its investments to better integrate with broader development frameworks. In many countries where both the United States and China operate, they target similar sectors, such as infrastructure, health, energy, and agriculture and food security. Attending these meetings would provide China with a clearer understanding of host country needs, avoid project overlap, and identify opportunities for existing development programs to complement Chinese projects and initiatives.

Why It Matters: For host governments, China's engagement would facilitate coordination by ensuring that major development actors are part of the same discussions. This would promote locally led development strategies and enhance Beijing's understanding of how international assistance is being deployed in the country and region. Participating would bolster China's status as a responsible development partner, improve communication with other donors, and influence development plans at the country level. It would also allow China to clarify widespread misunderstandings and concerns about its development approach, financing terms, and project execution.

Comment: China has historically been reluctant to engage in donor coordination frameworks associated with the OECD, where it is not a full member. However, at the country level, donor meetings do not impose obligations or require adherence to OECD rules; they are structured as dialogues rather than decision-making bodies. Participation would not require China to alter its aid model, but it would demonstrate a commitment to working within host government–led processes. Given China's role as a development partner, attending these meetings would be a logical, low-risk, and low-cost step toward improving its development cooperation while strengthening trust and communication with major donors.

2. PATHWAYS FOR GLOBAL PUBLIC HEALTH COORDINATION

The United States and China could develop a road map for coordination on global public health security, applying lessons from both coordination during the Ebola epidemic and problems around the COVID-19 pandemic. The inevitability of future global health threats and the benefits of mitigating the risks of prolonged crises call for an approach that lays the groundwork for a more effective, coordinated response.

How It Would Work: An initial expert-level dialogue would identify areas of feasible and valuable cooperation. Contentious issues such as the origins of COVID-19, World Health Organization reform, and vaccine production should be set aside or handled in other channels. This dialogue should prioritize practical and less politically sensitive areas where cooperation would clearly benefit both nations and the global community.

Experts could develop candidate initiatives for coordinated assistance to low- and middle-income countries to strengthen prevention, detection, and response capacities. This approach aligns with prior agreements under the Global Health Security Agenda and the priorities of the Pandemic Fund. As a result of significant gaps in global health capacity, vulnerable countries are at risk and, given the interconnected nature of public health, populations in developed nations are likely to be affected as well. Even limited U.S.-China coordination would strengthen global health security and pandemic preparedness.

Improved U.S.-China coordination would enhance global health security capacity for low- and middle-income countries, ensure faster outbreak responses, and reduce health system vulnerabilities. Without such collaboration, gaps in preparedness will persist, prolonging future epidemics and increasing global health risks.

Further steps could include pre-positioning critical equipment—such as mobile laboratories and biosecurity level 1–4 transport capabilities—to improve outbreak response speed. Minimal but structured communication between the two countries on support for the African Centers for Disease Control and Prevention could help optimize assistance. Over time, expanded cooperation could include real-time collaboration between epidemiologists to track viral spread and harmonized early warning systems for emerging public health threats.

Why It Matters: Improved U.S.-China coordination would enhance global health security capacity for low- and middle-income countries, ensure faster outbreak responses, and reduce health system vulnerabilities. Without such collaboration, gaps in preparedness will persist, prolonging future epidemics and increasing global health risks.

For China, engagement in practical health security cooperation would help repair reputational damage from COVID-19-related tensions and reinforce its commitment to global public goods. Strengthening public health cooperation could also increase China's influence in shaping international health governance and crisis response strategies.

For the United States, early-stage, controlled, issue-specific cooperation with China on global health security would allow for targeted focus and significant benefits without implying alignment on other contentious areas. A structured road map offers a pragmatic, results-driven approach that would bolster both U.S. and global health security and demonstrate leadership.

Comment: Bilateral discussions on global public health security should not take up domestic health security threats within either country, as they remain politically sensitive. A more promising starting point might be regional epidemics. The mistrust generated during the COVID-19 pandemic and the broader competitive nature of the U.S.-China relationship is best addressed by structuring this effort around targeted, incremental, nonpolitical public health measures.

3. FACILITATING SPECIAL DRAWING RIGHTS REALLOCATION FOR LOW-INCOME ECONOMIES

The United States and China could align on reallocating special drawing rights within the International Monetary Fund (IMF) to help low-income countries (LICs), particularly in Africa, access lower-cost financing. Both countries hold substantial SDR allocations that they do not need, while LICs face liquidity shortages and high borrowing costs. By working together, Washington and Beijing could support financial stability in developing economies while reinforcing their leadership in global finance.

How It Would Work: China would reiterate and accelerate its 2021 commitment to SDR reallocation either by trading hard currency for SDRs held by LICs or by contributing SDRs to the IMF's Poverty Reduction and Growth Trust, which provides zero-interest loans to LICs. The United States would support and expand SDR reallocation efforts, building on its March 2024 transfer of $21 billion to the trust.

Both countries would then support the recognition of the Asian Infrastructure Investment Bank and the New Development Bank as IMF "Prescribed Holders" of SDRs. This would allow LICs to use SDRs in transactions with these institutions, broadening their access to concessional financing while reinforcing a rules-based financial system.

Why It Matters: For LICs, SDR reallocation would provide immediate liquidity, reduce borrowing costs, and alleviate debt burdens. LICs face high-interest loans from private creditors. For example, Kenya's 10-year bond rate is 14.36%, compared to the current SDR rate of 3.22%. Access to cheaper financing through SDRs would strengthen financial resilience.

For China, acting on its SDR commitments would demonstrate leadership in global finance and support its key trading partners. It would also reinforce its commitment to IMF-led mechanisms rather than parallel financial structures. While renminbi (RMB) internationalization remains a long-term goal, China should allow recipient countries to select their preferred currency, enhancing goodwill and trust.

For the United States, supporting SDR reallocation would align with financial stability and equitable global economic governance. Encouraging China to fulfill its commitments would help counter accusations of financial inequality while ensuring that Beijing operates within established multilateral frameworks. Stabilizing LICs would also reduce default risks and strengthen U.S. export opportunities in developing regions.

Comment: U.S. concerns that SDR reallocation could expand China's financial influence could be mitigated by ensuring that recipient countries retain currency choice, avoiding forced RMB internationalization. China's concern that the United States could use the IMF to constrain its influence could be addressed by integrating the Asian Infrastructure Investment Bank and New Development Bank within IMF rules, reinforcing a rules-based system rather than sidelining Chinese-led financial institutions. Despite geopolitical tensions, SDR reallocation is essentially a cost-free policy that benefits both countries. It would strengthen LICs' financial stability, in turn expanding markets for U.S. and Chinese exports and trade.

4. TRAINING FOR DOMESTIC REVENUE COLLECTION FOR DEVELOPMENT FINANCING

The United States and China could each support LICs in enhancing their domestic revenue collection to reduce aid dependence, improve fiscal sustainability, and fund long-term development. While both countries have engaged in revenue administration capacity building, a more structured approach to technical training and institutional reforms would allow LICs to mobilize resources more efficiently. Effective tax collection would reduce fiscal pressures, strengthen creditworthiness, reduce dependency on external donors, and provide stable financing for infrastructure, education, and health programs.

How It Would Work: China and the United States would each support LIC tax reforms through two complementary mechanisms: direct technical assistance and increased funding for IMF Regional Capacity Development Centers (RCDCs). For example, one country could provide expertise in electronic tax administration, including e-registration, e-filing, and automated auditing, while the other could focus on institutional training and policy development, improving tax administration efficiency and compliance frameworks. Coordination with host country finance ministries would ensure that assistance aligns with national priorities and avoids duplication.

Strengthening tax administration would reduce informal economic activity and corruption, stabilizing government finances and ensuring sustainable development funding.

Additionally, both countries could expand funding to the IMF's RCDCs, which train LIC finance officials on revenue collection, enforcement strategies, and best practices. The IMF currently operates 17 RCDCs worldwide, including five in the Asia-Pacific region and six in Africa.[59] Increased financial contributions would enable broader participation and targeted support for LIC tax authorities, improving long-term revenue generation.

Why It Matters: For LICs, improving revenue collection would enhance fiscal independence and reduce their reliance on external borrowing. Many LICs have successfully raised their revenue-to-GDP ratios through reforms. For example, Nepal increased its ratio from 11% to 21% over 15 years, while Rwanda and the Philippines achieved notable gains through administrative improvements.[60] Strengthening tax administration would reduce informal economic activity and corruption, stabilizing government finances and ensuring sustainable development funding.

For China, supporting LICs' tax capacity would align with its investment-driven economic engagement. Stronger revenue collection would allow LICs to finance infrastructure projects without unsustainable debt, reducing concerns about debt distress linked to large-scale Chinese investments. By participating in multilateral fiscal reform efforts, China would also demonstrate a commitment to improving global financial governance.

For the United States, strengthening LIC tax administration would align with the Trump administration's focus on reducing foreign aid dependency and promoting economic self-sufficiency. While USAID previously supported domestic resource mobilization, the administration's efforts to scale back such programs underscore the need for LICs to develop self-sustaining revenue systems without relying on external assistance. Expanding LICs' tax capacity would support fiscal responsibility, reduce reliance on multilateral bailouts, and ensure fairer trade conditions, consistent with the Trump administration's economic priorities. Additionally, ensuring that LICs have stable revenue streams would mitigate financial instability that could disrupt markets, affect U.S. exports, and contribute to regional security concerns.

Comment: Geopolitical tensions limit direct U.S.-China coordination, but funding IMF-led capacity-building efforts offers a pragmatic, cost-effective way to advance U.S. strategic interests without direct engagement with Beijing. Unlike traditional aid, strengthening LIC tax administration would align with the Trump administration's focus on fiscal sovereignty, reducing dependency on foreign assistance and ensuring that U.S. contributions yield tangible economic returns. While U.S. policymakers may be skeptical of joint fiscal governance initiatives, prioritizing institutional tax reforms over direct revenue collection would avoid entanglement in LIC domestic policies while promoting financial self-sufficiency—a key Trump administration objective. Additionally, encouraging China to engage in multilateral fiscal reforms would place greater responsibility on Beijing to operate within established financial frameworks, rather than using opaque lending practices to expand its influence. Strengthening LIC revenue collection would create more stable markets for U.S. exports, reduce financial crises that could lead to migration pressures, and ensure fairer economic competition, reinforcing U.S. leadership in global financial stability without unnecessary financial commitments.

5. U.S. & CHINESE UNIVERSITY LINKAGES FOR LIC WORKFORCE DEVELOPMENT

U.S. and Chinese universities could establish a collaborative framework and partner with universities in LICs to develop and align curricula and training to better equip the current and future labor forces in those countries. A particular focus on next-generation agricultural technology and the digital economy would help address evolving industry demands. While the global average unemployment rate currently hovers around 4.9%, the situation in LICs is far more dire, with an average of around 8%; youth unemployment is even higher at 10.2%.[61] One contributing factor is the persistent skills gap and the mismatch between the needs of the labor market and existing and available workforce skills, enhancing employment prospects and economic resilience in LICs.

How It Would Work: U.S. and Chinese universities have comparative advantages in specific skill areas that could go a long way toward bridging the skills gap in LICs. Three potential models could facilitate better alignment between workforce training and labor market needs. First, a cooperative model could integrate academic coursework with work experience through university-arranged internships with industry partners. Second, dual-mission institutions could offer both vocational (career-focused) and academic (largely liberal arts) education. This combination could adapt to the interests and aspirations of a diverse student body while ensuring alignment with the needs of the labor market. Third, a Scientific Courtyard model, in which students study directly in their future place of potential employment, could create a direct pipeline from school to industry.

Why It Matters: With youth unemployment rates projected to remain high, the risks to LICs and partner countries are significant. Unemployment, especially among young people, slows economic growth, dampens consumer demand, exacerbates political and social instability, and increases household financial stresses. It is also linked to poor mental and physical health outcomes and worsening inequality—perpetuating underdevelopment and poverty in LICs.

Comment: For both the United States and China, the risks of rising youth unemployment in the Global South extend beyond humanitarian concerns to tangible economic and security threats. In addition to the problems it creates for LICs, persistently high levels of youth poverty and joblessness fuel instability, drive irregular migration, and create fertile ground for extremist recruitment and transnational crime. While Washington and Beijing appear to be locked in a geopolitical competition and national security concerns are increasingly limiting options for scientific and technology partnerships, universities in the two countries could take the initiative to form collaborative workforce training and educational programs in LICs that could mitigate risks while strengthening global talent pipelines, regardless of political tensions. Given that U.S. government funding is not currently feasible, U.S. universities could seek financial support from private sector partners in industries that would directly benefit from a better-trained workforce in LICs, such as technology firms, agribusinesses, and multinational manufacturers. Foundations and NGOs focusing on education and economic development are also potential sources of funding. Chinese universities might obtain support from Chinese development finance institutions, government overseas development programs, or industry partnerships with relevant Chinese firms operating in LICs.

6. U.S. & CHINESE UNIVERSITY LINKAGES FOR LIC FOOD SECURITY

U.S. and Chinese universities could collaborate with partner institutions in LICs to strengthen research and policy expertise in food security and agricultural sustainability, building on existing academic networks. Like the previous option for U.S. and Chinese university linkages in workforce development, partnerships in this sector could help address structural challenges that limit agricultural productivity, sustainable farming practices, and access to nutritious food. Food insecurity is particularly acute in sub-Saharan Africa, where over 70% of the population (868 million people) experience moderate or severe food insecurity and more than 340 million are classified as severely food insecure.[62] Southeast Asia also faces food security challenges, though less severe, with similar bottlenecks such as climate change, low agricultural productivity, financial constraints, poor infrastructure, and governance limitations.

How It Would Work: U.S. and Chinese universities have extensive experience in agricultural research and food security policy, and existing collaborations could provide a foundation for expanding academic partnerships for programs in LICs. Several models could facilitate university linkages in food security. One approach could involve leveraging Michigan State University's decades-long work on food security in Africa,[63] pairing it with a Chinese university to collaborate with agricultural institutions in sub-Saharan Africa. Similarly, China Agricultural University is part of the 5A Alliance, which includes the University of California, Davis and Cornell University. The 5A Alliance has already called for expanding cooperation with African universities, presenting an opportunity for triangular collaboration.[64]

Academic linkages could include faculty and student exchanges, joint research fellowships, collaborative policy analysis, and training programs that align agricultural education with sustainable development goals. These efforts could help strengthen institutional capacity in participating countries, supporting the next generation of policy and research leaders in food security.

Why It Matters: Developing university partnerships in food security could offer both immediate and long-term benefits. In the short term, it could enhance institutional capacity, strengthen research networks, and support local policy development. Over time, greater expertise in sustainable agricultural practices, climate-smart farming, and rural finance could improve agricultural incomes, increase access to nutritious food, and reduce the likelihood of food-related instability (food shortages have contributed to unrest in countries like Nigeria, Haiti, and Sri Lanka). For both the United States and China, investment in food security education would align with their economic and security interests, reducing risks associated with food-driven migration and regional instability.

Comment: Unlike the workforce development recommendation, this initiative already has a foundation in existing U.S.-China academic partnerships, requiring less start-up time. Financial constraints, however, remain a challenge: U.S. universities certainly would need additional resources, possibly from philanthropic foundations with a history of supporting sustainable agriculture and food security initiatives. Agribusiness firms and international organizations, including the World Food Program and the International Fund for Agricultural Development, could also provide financial backing, particularly for research and policy development aimed at addressing food insecurity in LICs. Chinese universities could find funding opportunities through China's South-South Cooperation Assistance Fund or agricultural development initiatives. In Southeast Asia, food security programs may be less of a regional priority than broader economic transformation initiatives, suggesting that partnerships there should integrate food security into larger development strategies, such as rural economic diversification and trade facilitation.

7. SUSTAINING GLOBAL AGRICULTURAL RESEARCH & NUTRITIONAL SECURITY THROUGH EXPANDED PARTNERSHIPS

The Consultative Group for International Agricultural Research (CGIAR) and its affiliated centers and programs, including the International Food Policy Research Institute (IFPRI) and HarvestPlus, play a vital role in global food security, agricultural sustainability, and public health. These institutions lead critical research on climate-resilient farming, improved crop yields, and biofortified seeds that addresses malnutrition and enhances agricultural productivity in LICs.[65]

However, budget cuts by traditional donors, including the United States, have strained CGIAR's and IFPRI's ability to sustain their research and distribution networks. The U.S. administration's funding freeze on international development programs has left a gap that, if not addressed, could disrupt research, seed distribution, and training programs that benefit millions worldwide.

This problem could be addressed through a new funding model in which China expands its financial support for CGIAR and IFPRI research while U.S. private sector and nongovernmental actors support ongoing research and deployment efforts. Given China's growing agricultural footprint in Africa and Southeast Asia, Beijing has a strategic interest in CGIAR's and HarvestPlus's success, while U.S. agribusinesses would benefit from continued innovation and access to stable agricultural markets in LICs.

How It Would Work: Rather than requiring direct U.S.-China government coordination, this approach would rely on parallel contributions from different sources in both countries. China would significantly increase its funding to CGIAR and IFPRI, particularly in areas aligned with its global agricultural priorities, such as soil management, seed technology, and food security in LICs. Beijing would also leverage governmental and private sector investments to sustain HarvestPlus's biofortified seed program, strengthening its supply chains in regions where it has established agricultural projects. This would allow China to demonstrate leadership in global food security while countering perceptions that it only funds organizations over which it exerts direct control.

Simultaneously, U.S. agribusinesses, foundations, and universities would step in to sustain research and seed distribution initiatives through CGIAR- and IFPRI-affiliated centers. This support could take the form of vocational training partnerships with universities in LICs or facilitation of knowledge transfer on seed distribution, sustainable farming, and supply chains. By funding ongoing agricultural research on climate-adaptive crops, soil health, and micronutrient-enabled seeds, the U.S. private sector could ensure continued market stability and food security, protecting its long-term interests in developing economies.

Why It Matters: Addressing food security at scale is crucial, as over 2 billion people suffer from micronutrient deficiencies, leading to economic losses, developmental challenges, and increased health burdens in LICs. HarvestPlus's biofortified seed program has already benefited 330 million people globally, and adequate funding could guarantee its ability to reach millions more.[66]

Economically, for China, expanded engagement in agricultural development would align with its BRI investments in LIC food supply chains. For U.S. agribusinesses, sustained CGIAR research would enhance global crop resilience, protect supply chains, and strengthen trade ties with developing economies.

Strengthening global leadership through a China-U.S. parallel funding model would prevent CGIAR and IFPRI from atrophying, preserving their independence while diversifying financial backing. For China, this would enhance its credibility as a contributor to global public goods. For the U.S. private sector, it would sustain market access, research collaborations, and corporate leadership in sustainable agriculture.

Comment: This proposal offers a pragmatic and politically viable solution to sustaining global agricultural research and food security without requiring direct U.S.-China government coordination. By involving China's financial contributions alongside U.S. private sector and philanthropic engagement, it would diversify funding sources, ensuring that CGIAR, IFPRI, and HarvestPlus remain independent while continuing their vital work. The model would avoid geopolitical roadblocks by involving nongovernmental actors, making it resilient to policy shifts while aligning with both China's agricultural priorities abroad and U.S. interests in market stability, innovation, and food security. This approach would provide a sustainable, depoliticized funding mechanism that would strengthen agricultural research and global food systems at a time of heightened challenges.

CONCLUSION

International development is not mere charity but a strategic investment in recipient states, regional stability, global security and prosperity, and resilience, with direct implications for both the United States and China. Expanding educational opportunities, reducing poverty, bolstering health and pandemic early-warning systems, and elevating government capacity are in the interests of both recipients states and donors. Regional growth and prosperity create broader economic opportunities and enhance global stability. International development assistance can have transformative impacts on countries and their populations, but development without structured coordination can lead to a host of unintended repercussions and lost opportunities.

While geopolitical competition between the United States and China makes direct cooperation on international development unlikely, structured deconfliction—such as avoiding project redundancies, coordinating through multilateral financing mechanisms, or aligning efforts at the host country level—could be possible under several conditions. For both the United States and China, structured deconfliction offers practical benefits beyond reducing inefficient duplication, such as avoiding financial risks in overstretched recipient economies, ensuring that investments yield tangible gains and lasting and sustainable impacts, and mitigating the growing costs of fragmentation and missed development opportunities. While Washington and Beijing prioritize different strategic objectives, mitigating instability and fostering sustainable growth remain shared interests that can be advanced through parallel or complementary engagements.

> **Even in an era of strategic rivalry, structured deconfliction and indirect alignment between major development actors are not only possible but increasingly essential to mitigating risks and supporting sustainable development.**

In this regard, recipient countries and regional institutions can and should play critical roles in navigating between the two actors and facilitating structured development engagements that lead to beneficial results. Recipient states are not passive bystanders; they have agency in how they engage, represent their interests, and negotiate the terms of their agreements with external partners. Organizations such as ASEAN and the AU, especially in the current geopolitical climate, must play a more active role in helping member states navigate their relationships with the United States, China, and other development partners while ensuring that regional and national development plans are better integrated and aligned with long-term growth strategies.

As experts from Southeast Asia and Africa emphasized during the trilateral convenings, the Global South is not seeking more traditional foreign aid and assistance, but rather development engagements and investments that strengthen their economies and reinforce local agency and reduce their external dependencies and reliance on extractive industries. The strengthening of local and regional capacity and empowering local actors are important steps in helping to ensure that development programs are begin designed to have a long-term sustainable impact that goes beyond donor priorities.

A dramatic reduction in U.S. government foreign assistance funding and activity warrants equally dramatic efforts by nongovernmental actors in the United States—including foundations, NGOs, universities, and industry—to expand engagement in the Global South. This moment calls for creative solutions to mobilize alternative funding, expand partnerships, and reinforce long-standing relationships in developing countries. Maintaining and strengthening these connections could prevent decades of U.S. investments in global development from eroding, reducing the risk of rising instability, unchecked migration flows, economic collapse, the spread of infectious disease, and the expansion of extremist networks in fragile states.

At the same time, recipient countries and regional institutions must play a greater role in structuring development engagement to encourage alignment with local priorities rather than external competition. This moment calls for both external engagement and stronger leadership from recipient states and regional bodies to shape development in ways that serve their long-term national interests. Even in an era of strategic rivalry, structured deconfliction and indirect alignment between major development actors are not only possible but increasingly essential to mitigating risks and supporting sustainable development.

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