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From: Edwards, Harry G (PACE) [mailto:EdwardsHg@state.gov]
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Clinton tells developing world to be wary of donors eyeing resources

- * Clinton says some new donors aim to exploit
- * Development summit weighs China's growing role
- * Aid increasingly eclipsed by private sector funds

November 29, 2011 10:20 PM ET

By Andrew Quinn

BUSAN, South Korea, Nov 30 (Reuters) - U.S. Secretary of State Hillary Clinton urged developing nations on Wednesday to be "smart shoppers" on foreign aid, warning that powerful emerging economies such as China may be more interested in exploiting natural resources than promoting real development.

Clinton delivered the warning to a global summit on development and aid held in South Korea, where both traditional rich nation donors, cash-rich middle income countries, non-governmental organizations and private sector groups have gathered to discuss the future of the global aid effort.

She said foreign assistance should focus more closely on priorities set by developing countries, which must themselves do more to root out corruption, improve rule of law and remove local tariffs and other barriers to growth.

"There is another step that developing countries need to take to be smart shoppers," Clinton said.

"Be wary of donors who are more interested in extracting your resources than in building your capacity. Some funding might help fill short-term budget gaps, but we've seen time and again that these quick fixes won't produce self-sustaining results."

Clinton did not mention China by name, but her comments appeared clearly aimed at Beijing's fast-expanding aid programs overseas, particularly in Africa, where critics say China is now using assistance programs to pry open markets for oil, minerals and other resources as colonial powers did in the past.

Clinton is the first U.S. secretary of state to address the global aid gathering, reflecting her personal commitment to promoting overseas development as part of a "smart power" initiative which aims to increase U.S. national security by fighting poverty and instability abroad.

CHANGING ECONOMICS OF AID

She noted that developed nations themselves, which still account for the lion's share of the some \$122 billion in annual international aid flows worldwide, needed to do more to coordinate their aid effort, increase effectiveness, and cut the political red tape that still encumbers many aid programs.

"All too often, donors' decisions have been driven more by our own political interests or policy preferences or development orthodoxies than by our partners' needs," Clinton said.

But with many rich nations mired in financial crisis and aid budgets facing cuts, the Busan conference has focused on new players in the global development scene: emerging economies such as China, Brazil and India, which are fast ramping up their own bilateral aid programs, and private sector companies which are also stepping in to fill the gap.

China, in particular, has resisted efforts to map out global rules for foreign assistance, arguing that as a developing nation itself it should not be bound by guidelines on transparency, accountability and human rights when it makes its decisions on foreign aid.

Beijing now gives an estimated \$10 billion per year in foreign aid -- compared to about \$33 billion for the United States -- but much if it remains opaque and tied to Chinese economic and construction projects.

Aid organisations said the Busan meeting had put off a decision on measuring new standards for accountability and transparency. "Negotiators in Busan have kicked the can down the road, delaying decisions about a plan for better aid for another six months," said Gregory Adams of Oxfam.

U.S. officials said one bright spot was the growing role of the private sector.

Clinton urged developing nations to make the most of the growing business interest.

"I know that some of you are reluctant to do this, and that is understandable. You have seen corporations put their profits ahead of your interests in the past and you have suffered the consequences," Clinton said, adding that many modern corporations were taking a different tack.

"If you improve the business environment in your country, while also setting clear expectations for the private sector about how they need to operate, you can create new opportunities for your people."

(Editing by Jeremy Laurence and Sanjeev Miglani)