

The Motives of China's Foreign Aid

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Abstract: This chapter discusses the political, economic, and humanitarian motives driving Chinese aid. Concerning the political drivers, the Chinese government uses aid as a foreign policy tool, which should help the country to create a favorable international environment for China's development, support the country's rise to global power status, influence global governance, and reward countries that abide by the One-China Policy. Moreover, aid has increasingly been used to promote trade with developing countries and loans are extended in exchange for natural resources. Finally, China emphasizes that it gives aid in order to help other developing countries to reduce poverty and improve people's livelihoods, a claim supported by the data as poorer countries receive more support. While the mixture of political, economic and humanitarian goals does not set China apart from the so-called "traditional" Western donors, China differs in the detailed content of its interests and the explicit emphasis on "mutual benefit" in the pursuance of its goals.

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1. Introduction

China's rising aid has led to a controversial international debate about the supposedly adverse effects of China's activities in the developing world. This appears to have taken the Chinese government by surprise—not least because it had considered foreign aid as a tool to project China's image as a “responsible stakeholder” (Chen 2010, 2011). Yet, China's international aid activities are neither reported to international organizations, nor has Beijing released an official and comprehensive aid database. It is particularly this lack of transparency in the Chinese aid system that has been criticized widely, both outside and inside China. While Western perceptions often assume deliberate secrecy (e.g., Brautigam 2009: 2), Chinese scholars have attributed it to the system's high complexity and fragmentation (Hu and Huang 2012; Huang and Ren 2012; Cao 2013; Hu 2013). Either way, the lack of transparency has fueled speculation about Beijing's motives.

China's aid motives cannot be understood without a thorough understanding of the long history of its aid program. Although China is often referred to as an ‘emerging’ or ‘new’ donor (e.g., Manning 2006; Walz and Ramachandran 2011; Hernandez 2017), its aid history can be traced back to the early days of the People's Republic.¹ Yet, as Mawdsley (2012: 262) has put it, the ‘Western imaginative geographies’ of foreign aid have, for the most part, failed to recognize the substantial presence of China. China, in fact, started giving aid in the early 1950s, first to North Korea to support the reconstruction after the Korean War, and shortly afterwards to Vietnam and other then recently de-colonized neighbors to the South and Southwest, to ensure their independence and develop friendly relations (Lin 1993, 1996). Cambodia, Nepal, and Egypt were the first non-communist recipient countries in 1956 (Bartke 1989).² To depict the geographical expansion of China's aid, Figure 1 shows a world map illustrating the year of each recipient country's first aid project by decade.

In 1956 China's first Premier Zhou Enlai named “mutual benefit” (together with mutual respect for national sovereignty) as the guiding principle of Chinese aid and economic cooperation, and linked it to the Soviet aid model, of which China was a recipient:³

It is *based on this principle* [sic.] that Socialist countries have established a new type of economic relations amongst each other. The friendly economic and technical aid the Soviet

¹ Kobayashi (2008) and Brautigam (2009) provide thorough overviews of the history of China's aid giving. Johnston and Rudyak (2017) have shown how Chinese aid as it stands today was shaped by global shifts.

² The earliest commonly available historical data on Chinese aid were collected by the German Sinologist Wolfgang Bartke (1989) and Taiwanese China scholar Lin Teh-chang (1993).

³ Following the signing of the Sino-Soviet friendship treaty in 1950, the Soviet Union began to provide assistance to China in the form of concessional loans, which were ‘tied’ to the purchase of commodities and war materials from the Soviet Union and were typically attached to Soviet technical experts. See also Asmus et al. (2017) for a literature review on Russian (and other BRICS) aid.

Union has given to China is a great example of this type of relationship. [The] Soviet Union, China and other Socialist countries have been expanding their economic cooperation with many countries in Asia and Africa *based on this principle* [sic.] [...]. (Zhou 1956; translated from Chinese in Rudyak 2014: 6)

At the same time, Zhou's historical speech shows that China considered economic independence as crucial to achieving political independence (from the U.S. and the West)—for itself and for other developing countries:

China is a country that just recently has been liberated. Our economy is still very backward; we still haven't achieved full economic independence [...] But we have understood that economic independence is of major significance for consolidating political independence. Therefore, while we advance the building up of our own economy, we wish, within the bounds of our possibilities, to contribute our meagre forces to help the economic development of other countries. (Zhou 1956; translated from Chinese in Rudyak 2014: 6)

Therefore, it is not surprising that as recipients of Soviet aid, Chinese leaders maintained ownership over the process, aligning it to their strategy for nation building (Watanabe 2013: 88-89). This laid the foundation for China's outlook on development assistance, namely that (in economic terms) it should primarily serve a country's self-determined development strategy.⁴ The Sino-Soviet split in the early 1960s reinforced China's insistence that aid should be used only as a means to achieving economic self-reliance. This is because China was now forced to complete the commenced Soviet aid projects on her own, while still repaying the loans to Moscow. This experience then manifested in the "Eight Principles of Economic and Technical Aid", which were announced by Chinese premier Zhou Enlai on his visit to Africa in 1964 (CCPN 1964). Along with mutual benefit and mutual respect for national sovereignty, these principles stress political non-conditionality and the achievement of self-reliance. According to official statements, the Eight Principles remain valid as fundamental guidelines for China's foreign aid (Chen 2010, 2011).

With Deng Xiaoping's "Reform and Opening Up" policy after 1978, China also opened up to receiving Japanese and Western development assistance. The country's overall focus shifted from ideological struggles to its economic interests. Confronted with the question whether to discontinue aid to other countries as China needed the limited resources for herself, the leadership decided that aid as a foreign policy tool would still be instrumental in creating a stable environment for China to develop—which also signifies that the Soviet Union and the U.S. were still perceived as a threat (Shi

⁴ This is evident in China's aid discourse until today, for example, in statements of Chinese aid experts like Peking University Africa scholar Li Anshan, who argues that "we cannot set up a plan for Africa. We can rather join them in their efforts and not impose a plan for them" (Adu-Gyamerah 2014).

1989; cited in Brautigam 2009: 51). Yet, aid spending was to be reduced, putting emphasis on projects that directly benefitted to China's economic modernization agenda. Indeed, statistics show a sharp reduction of aid budgets in the 1980s compared to the early 1970s (Dreher and Fuchs 2015). That shift was cemented during Premier Zhao Ziyang's visit to Tanzania in 1983 (People's Daily 1983), where he announced the "Four Principles of Sino-African Economic and Technical Cooperation." The "Four Principles" emphasized mutual benefit, practical results, diversity in form, and common development. First, they marked a shift towards achieving mutual *economic* benefit for both partners (Yu 1988); and second, by stressing "common development", they reflected Deng Xiaoping's renunciation of Mao Zedong's ideal of autarky which in his belief was not suited for a China opening up.

From the mid-1990s, aid became increasingly important as a channel for promoting China's foreign trade and investment. Appropriating the Japanese aid model, which linked aid with trade and investment, China introduced the "Grand Strategy of Economy and Trade" in December 1994 (Ma 1994), and shortly after set up the Export-Import Bank of China (Exim Bank) to operationalize its new concessional lending agenda.

The 2006 Forum on China-Africa Cooperation (FOCAC)⁵ summit drew particular international attention when China promised to double its aid to African countries by 2009 in the framework of the Beijing Action Plan, and also to establish a US\$5 billion China-Africa Development Fund (FOCAC 2006). China has indeed continuously increased its commitments and today it is one of the world's most important providers of development finance. Over the 2000-2014 period, AidData was able to trace more than 4,300 projects in 140 countries and territories (Dreher et al. 2017). The total financial value of these projects exceeded US\$350 billion, which means that China's development finance is almost as large as the United States' US\$ 395 billion. Chinese and US development finance may be of a similar size, but they differ substantially in their composition: less than one quarter of China's finance could be categorized as official development assistance (ODA) as defined by the OECD (compared to 93% of US development finance).⁶

This brief outline of the history of Chinese aid highlights three broad factors driving its aid giving: political motives (e.g., striving for recognition), commercial interests (such as trade and investment promotion), and humanitarian concerns (most notably the desire to support other developing countries' welfare). In this respect, China's aid is not special, as can be seen in the

⁵ In 2000 China created the FOCAC with the goal to build "a platform [for] China and friendly African countries for collective consultation and dialogue and a cooperation mechanism between the developing countries, which falls into the category of South-South cooperation" (Xinhua News Agency 2006). The triennial summit has since rotated between China and an African country.

⁶ See <http://aiddata.org/china> (accessed 10 November 2017).

exhaustive literature on the role of political, economic, and humanitarian interests in aid allocation by the so-called “traditional” Western donors and the international financial institutions (e.g., Schraeder et al. 1998; Kuziemko and Werker 2006; Vreeland and Dreher 2014). However, China differs in the detailed content of its interests and the explicit emphasis on “mutual benefit” in the pursuance of its political, economic, and developmental goals.

This chapter provides an overview of the literature that analyzes China’s aid motives in scholarly contributions in political science, economics, development studies, and sinology. We begin by analyzing Beijing’s political motives, followed by sections on its commercial interests and humanitarian drivers. The final section concludes with a summary of the findings and provides suggestions for future research on China’s foreign aid.

2. Political Motives

In the literature on political motives of Western donors a broad consensus has emerged that aid money supports political allies, punishes enemies, helps build coalitions, and is aimed at improving public opinion in recipient countries (e.g., Morgenthau 1962; Bueno de Mesquita and Smith 2007, 2009; Dreher et al. 2008). As Dreher et al. (forthcoming) note, theories of international political economy provide “few reasons why one would expect non-Western donors to behave much differently.” Indeed, Chinese official sources have always admitted that foreign aid is an important instrument of China’s diplomacy. As both the English and Chinese versions of the preamble to China’s first *White Paper on Foreign Aid* (SCIO 2011a) detail: “through foreign aid, China has consolidated friendly relations and economic and trade cooperation with other developing countries.”⁷ While the notion of “consolidating friendly relations” may sound quite vague, it is a *tifa*⁸ that frequently follows the mentioning of “foreign aid.” Its more precise meaning can be interpreted as securing a favorable international environment for China’s overall development and supporting the country’s rise to global power status. Hereby, foreign policy and domestic motives are interdependent: within the Chinese leadership, economic modernization and growth are seen as prerequisites for both China’s emergence as an economic and political power and for maintaining the legitimacy and power of the

⁷ In using aid for political means, China does not differ from any other major donor country. Already the European Recovery Program (ERP) of the United States, more commonly known as the Marshall Plan, was intended not only to aid in rebuilding European countries after the World War II, but first and foremost, to prevent the spread of Soviet communism. An abundant literature in economics and political science highlights the role of aid as a foreign-policy tool of Western countries (e.g., Maizels and Nissanke 1984; Schraeder et al. 1998; Alesina and Dollar 2000; Kuziemko and Werker 2006; Vreeland and Dreher 2014).

⁸ The language of Chinese politics is highly coded; *tifa* are formalized political expressions, which are characterized by a particular quality of linguistic impoverishment (something like Newspeak). They are an essential part of Chinese politics and help constitute the structure of power within China’s political system (Schoenhals 1992).

Chinese Communist Party. Thus, when Chinese government officials talk about Chinese aid being “mutually beneficial” (SCIO 2011b), in political terms it has to be understood as a function of the above motives.

One China Policy: The drive for international recognition

After its proclamation in October 1949, the new People’s Republic of China (PRC) faced international isolation. The United States and along with them the majority of Western countries refused to recognize it and saw Chiang Kai-shek, the leader of the exile Taipei-based Republic of China government, as the legitimate representative of China. Furthermore, after 1951 China faced a U.S.-led economic embargo following its involvement in the Korean War. According to official Chinese history texts, it is in this context that China started to give its first foreign aid (for North Korean reconstruction). Thus, from the outset, foreign aid was a means for China to expand its sphere of influence and isolate the Republic of China on Taiwan—which later became known as the “One-China Policy.” After the Bandung Conference of 1955, China started giving aid to South-East Asian countries (1955) and to newly decolonized Sub-Saharan Africa (1956) and received diplomatic recognition in exchange. The Soviet invasion of Czechoslovakia in August 1968 and the concurrent peace talks between the U.S. and Vietnam created a window of opportunity for China to ease the tensions with the United States. China’s efforts for international recognition reached its peak between 1969 and 1970, with Chinese aid increasing by fifteen times, amounting to 64.9% of all aid given by communist countries that year (Copper 2016: 152). They proved successful: in 1971, a majority of countries voted for Albania’s resolution to admit it to the United Nations (UN)—and to exclude Taiwan in turn. Figure 2 shows a spike in the number of aid recipients in the year after the vote, suggesting that countries were subsequently rewarded for their voting behavior. Today, Chinese leaders openly admit that aid has helped China to secure UN votes. Speaking about the future of the “Belt and Road” in April 2016, then Minister of Commerce Gao Hucheng reiterated that “[i]n 1971, with the help of foreign aid, China gained a wide support of Third World Countries, succeeded in breaking out of the political encirclement and entered the United Nations” (Gao 2016).

Econometric results by Dreher and Fuchs (2015) are in line with the view that in its early days China’s aid was mainly guided by political motives. During the 1956-1978 period, countries that had a closer voting alignment with the People’s Republic of China (PRC) in the UN (or were less aligned with the Republic of China (ROC) on Taiwan prior to 1971) received significantly more Chinese aid projects. Overall, the results show that political factors, such as a recipient country’s stance towards the One-

China policy, more heavily influenced countries' share in China's aid during this period than in later periods of China's aid giving.

The importance of a country's stance towards the One-China Policy for Chinese aid allocation has been maintained up to the present day. Taiwan's democratic transition in the late 1980s heated up the "checkbook diplomacy" of both Taipei and Beijing (Brautigam 2010). When Taiwan attempted to re-enter the UN in September 1993, all those countries who rejected Taiwan's case—with the exception of Russia, India and Slovakia—were recipients of Chinese aid in the early 1990s (Lin 1996: 53-54). Even today, China uses aid to reward countries that abide by the One-China Policy and do not recognize the government in Taipei. The Administrative Measures for Foreign Aid (MOFCOM 2014) specify that "the main recipients of foreign aid are developing countries that have established diplomatic relations with China." This means that with the exception of humanitarian assistance after catastrophes (e.g., Tubilewicz 2012), "Taiwan recognizers" should not receive Chinese aid. Indeed, panel A of Figure 3 highlights that countries that recognize the government in Taipei receive virtually no aid and the few exceptions are driven by countries on the eve of rupture with Taipei. Recent work by Dreher et al. (forthcoming) on Africa during the 2000-2012 period shows strong evidence that China provides less official financing to countries with diplomatic ties to the government in Taipei and that this effect is more pronounced for ODA compared to less concessional other official flows.

Gaining support in international organizations

Although China succeeded in joining the UN in 1971, foreign aid remained a tool for securing the political support of developing countries in times of conflict between China and the West. When China was faced with economic sanctions and diplomatic isolation by many states after the crackdown of Tiananmen Square student protests in June 1989, its foreign aid commitments increased by around one third from US\$223.5 million (1989) to US\$374.6 million (1990) (Lin 1996: 37). While the total financial value was still far below the level of the early 1970s, the number of aid recipients increased with China trying to reach as many countries as possible (Lin 1996). This is also very visible in the sudden increase of aid recipients in 1989 and 1990 displayed in Figure 2. Taylor (1998: 450) links this increase to the purchase of political support and concludes that "[s]uch a[n aid] policy was a quick and comparatively cheap way by which Beijing could reward those countries that had stood by China during the 1989 crisis as well as cementing relations for the future."

Foreign aid is also understood as a reason why China's human rights record has received very little scrutiny in the UN Human Rights Council despite crackdowns on Tibetan and Uighur protesters as well as on lawyers and political activists associated with the Charter 08 movement (the most

prominent here being the recently deceased Nobel Peace Prize holder Liu Xiaobo). In 2016, the support of the African countries enabled China to remain in the UN Human Rights Council despite facing massive critique at that time. As Taylor (1998: 451) notes, China is “[a]lways mindful of the fact that the West is in a minority in international organisations such as the United Nations, the courting of support from developing nations enabled China to successfully resist Western “hegemonism” at a time when the old bi-polar world was crumbling.” Indeed, Strüver (2016) finds some evidence that recipient countries’ voting similarity with China in the UN General Assembly (UNGA) is larger if countries are more frequent recipients of Chinese aid projects in recent years. Similarly, Pang and Wang (2017: 188) show that “[t]he more aid a country receives from China, the more like it is not to vote along the lines of US in UNGA”. Panel B of Figure 3 shows that countries that vote in line with Beijing in the UNGA indeed receive more Chinese aid projects per year on average.

Projecting a good international image

Going hand in hand with the above is China’s motive to project an image of itself as a responsible stakeholder in international politics. The *tifa* “responsible great power” is very often mentioned in connection with “foreign aid.” As recent contributions in Chinese political science literature (e.g. Jin 2009; Luo 2016) show, it is a direct reference to the “responsible stakeholder” speech by then US Deputy Secretary of State Robert Zoellick in 2005. His question “whither China” will be “responsible” and how to deal with China’s rising power—a statement representative of the wider discourse on whether China will be a supporter or a challenger to the existing global order—have often been framed in China as the “China Threat Theory” (Jin 2009). The latter is perceived by the Chinese government as potentially inhibiting to China’s “peaceful” rise. Therefore, foreign aid is employed as a tool to improve China’s image abroad—or, as the Chinese government officially frames it, “to promote friendly relations” with other countries (e.g., SCIO 2011). As Luo (2016) writes, foreign aid represents China’s contribution to international society, shows “big power responsibility” and helps to win the approval of international society for China’s rise. It is also, he follows, the soft power needed for a “rising power.” Empirical evidence on Latin America, however, does not show that China’s aid program is indeed successful in boosting its image. Using repeated cross-sectional survey data from the Latinobarómetro, Brückner et al. (2017) find that, in contrast to US aid, Chinese aid has no image-boosting effect—neither at the national nor local level. Experimental evidence in Findley et al. (2017) also suggests that Ugandan citizens prefer aid from the United States over Chinese aid.

Strengthening the voice of China and other developing countries in global economic governance

Finally, Chinese aid giving also has to be understood in the context of the country's ambition to increase the collective strength and voice of developing countries, while at the same time bolstering China's claim to being their leader. Speaking at the World Economic Forum in Davos in January 2017, Chinese President Xi Jinping underlined that emerging and developing economies contribute to 80% of the growth of the global economy (Xi 2017). Hinting at the failed IMF reform, he demanded that they "deserve greater representation and voice." In this, China navigates its hybrid role as a developing country that is also the world's second largest economy. However, the establishment of the BRICS New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB)—both of which have been interpreted as China's response to the failed reform of IMF and World Bank governance—are testaments to China's determination to have a greater influence in shaping global economic governance.⁹ When Chinese official statements speak about "equality, fairness and mutual cooperation" (e.g., the 13th five-year plan; CCTP 2016) and "respect [for] each other's independent choice of development path and social systems" (e.g., Xi 2015), there is in fact a clear vision of how that development should happen: through "alignment of development strategies," "macro-economic coordination," and using the NDB, AIIB, and the Belt and Road Initiative (Rudyak 2017a). For China, this does not mean challenging the established international economic order but taking a lead in its reform—with foreign aid as a means to gain support.

3. Commercial Interests

After Mao Zedong's death, economic modernization and development replaced ideology as the core driver of Chinese domestic and foreign policies. This also translated into foreign aid policies, where from the early 1980s on, economic motives began to play an increasingly important role. While the idea of "mutually beneficial" relationships was (as we have seen above) by no means new, in the era of Deng Xiaoping it gained a new economic dimension. This renewed focus is also very visible in the data. Dreher and Fuchs (2015) find that, in contrast to earlier periods, the number of Chinese aid projects shows a positive correlation with a country's importance as a Chinese export destination during the 1979-1987 period. Again, China is not an exception here. Commercial interests have been found to shape the aid allocations of Western donors (e.g., Fleck and Kilby 2006; Hoeffler and Outram 2011; Dreher et al. 2015) and non-DAC donors such as India (Dreher et al. 2011; Fuchs and Vadlamannati 2013).

⁹ Pratt (2017) analyzes the proliferation of development banks. Wang (2016) focuses on the AIIB and investigates countries' decision to join the Beijing-led development bank.

Opening the international markets to Chinese enterprises – “Going Out”

Appropriating its experience with the Japanese model, China began to use aid to promote trade and investment (Shimomura and Wang 2012). In 1992 China piloted foreign aid joint ventures that combined aid with trade and investment (Huang and Liu 2013: 65) and formally introduced them as a mode of cooperation in the mid-1990s, together with concessional loans channeled through the newly established Export-Import Bank of China (Exim Bank). Concurrently, the end of the Apartheid in South Africa (1994) brought relative macroeconomic stability to the whole region, which facilitated a new importance of the African continent to China’s overall economic strategy (Johnston and Rudyak 2017: 438). During his visit to the Organization of African Unity in the following year, Chinese president Jiang Zemin proposed a new concept of “comprehensive cooperation” between China and Africa: at its core were joint ventures and concessional loans (Jiang 1996; cited in Johnston and Rudyak 2017), implemented by Chinese companies on the basis of international agreements between the governments of China and the recipients. This way, they served as “door-openers,” allowing the companies to operate in a relatively risk-free environment and to introduce their products to developing countries, which they paid for with Chinese official finance. Looking back at the role foreign aid played for their internationalization, Luo (2016) writes: “That Sinohydro, China Railway Engineering Corporation, China Railway Construction, CRBC, CNPC, CCECC and other big companies were able to smoothly enter Africa, is inseparable from foreign aid.” In the aftermath of the Asian Financial Crisis of 1997, “Going Out” (*zou chuqu*) was formalized as a policy in 1999. In this regard, it is not surprising that “private companies make the initial move” in formulating initial project proposals (Sato et al. 2011: 2099).

In the aftermath of the Global Financial Crisis of 2008, slower growth in China since about 2011—termed the “New Normal”—increased pressure on Chinese foreign aid to further serve its own economic goals. In an op-ed published in 2012, the then Vice-President of the Exim Bank, Zhu Hongjie, stressed the need to expand foreign aid in order to diversify markets for Chinese enterprises:

“[W]e need to further broaden the scope of concessional loans, and actively encourage and support strong Chinese enterprises with good reputations to participate in concessional loan programs. While serving the country’s political and economic diplomacy strategy, we need to make the best use of concessional loans to promote Chinese exports.” (China Economic Net 2012; translated from Chinese in Johnston and Rudyak 2017: 442)

The fact that the Ministry of Commerce (MOFCOM), is the leading coordinating agency of China’s aid program has been interpreted as an expression of the dominance of commercial motives in Beijing’s aid giving (Lammers 2007). Quantitative results by Dreher et al. (forthcoming) indicate that the

allocation of less concessional and thus more commercially-oriented forms of Chinese official financing, such as loans by the Exim Bank or China Development Bank, are guided by commercial interests to a larger degree than highly concessional development aid, i.e., aid in the strict sense.

Securing access to natural resources

China's "growth miracle" (Lin et al. 2003) made it a net oil importer by 1993 and the third largest oil consumer after the United States and Japan by 1996. By the time China acceded the WTO (2001), it was already the second largest oil importer after United States. Relying on imports for around one third of its supply, the search for energy security became a top issue on Beijing's agenda. Naturally, the resource-rich Africa became the main destination for China's search. The collapse of the Eastern Bloc in the early 1990s led to a reduction of the aid budgets of the countries of the OECD's Development Assistance Committee (DAC).¹⁰ At the same time, the dwindling pool of available DAC aid became more conditional through the general adoption of structural adjustment policies. This setting created a fruitful ground for what later became known as the "Angola Model".¹¹ Beijing encouraged China's (mostly national) extractive companies to "go out" with varying levels of diplomatic and financial support (Downs 2007: 48), offering developing countries the provision of Chinese aid and concessional loans in exchange for access to natural resources. Despite the harsh critique it has received, this form of lending was not unique to China: Western banks have often used commodities as security for loans (Dollar 2016: 61). Similarly to concessional loans, resourced-based loans were a mode in which Japan provided developing finance to China in the early 1980s, and have also been evaluated by the Chinese government as an effective and mutually beneficial form of aid (Brautigam 2009).

Many scholars have highlighted the access to natural resources as the central aim of Chinese aid (e.g., Alden 2005; Tull 2006; Davies 2007; Naím 2007). Lum et al. (2009) tried to substantiate this claim with data collected through news research. They suggest that Chinese aid to Africa and Latin America is determined by commercial interests, and is mainly motivated by the extraction of natural resources. However, Lum et al.'s data suffers—among others—from an imprecise distinction

¹⁰ According to Burnell (2009), during this time DAC member countries provided a smaller share (0.22%) of their Gross National Income (GNI) than at any time since the late 1940s, having declined in real terms since 1990 by around 10% annually, and by 40% to Africa.

¹¹ In 2005, the IMF and Western countries had been pressing Angola to improve the transparency of its oil sector and to make other reforms as a precondition for committing aid funds. At the same time, China had offered Angola a US\$2 billion soft loan as part of a longer-term aid package in connection with its bid to win oil exploration rights. China won the bid—Angola rejected the IMF's aid conditions. Together with Nigeria, Angola was the main oil producer on Africa's Western coast, which at that time provided the United States with 15% of its oil imports (Lyman 2005).

between aid in the narrow sense and other forms of official finance. Focusing on a narrow definition of Chinese aid, Dreher and Fuchs (2015) find no robust link between China's aid allocation across recipient countries with natural resource endowments during the 1996-2005 period. Similarly, the results in Hendrix and Noland (2014, chapter 5) confirm that China's ODA does not follow natural resource endowments. This is also in line with Panel C of Figure 3, where we show that oil producers do not receive more Chinese aid projects per year on average. Dreher et al. (forthcoming) explain the lack of empirical support in quantitative studies for the perception that resources guide Chinese aid. After disentangling ODA from other less concessional forms of Chinese official financing, it appears that only less concessional forms of official financing (rather than aid in the strict sense) are guided by the availability of oil in recipient countries.

4. Developmental and Humanitarian Concerns

Throughout the history of Chinese aid, official documents and leadership statements have continuously maintained that China gives aid in order to help other developing countries to "strengthen their independent development capabilities" (Xi 2015), to "reduce poverty," and to "improve people's livelihoods" (SCIO 2014). The heavy focus of Chinese foreign aid on physical infrastructure, for example, is grounded in Chinese leaders' belief that it was essential for economic development (Zhang et al. 2015). Thus, China's foreign aid could also reflect developmental and humanitarian concerns. Panel D of Figure 3 shows that poorer countries indeed receive more Chinese aid projects per year on average. Empirical analyses that control for confounding factors confirm that poorer countries receive more Chinese aid than richer ones, all else being equal (Dreher and Fuchs 2015; Broich 2017; Dreher et al. forthcoming). However, this is not yet proof that China's aid allocation pattern is guided by developmental and humanitarian concerns. Per-capita income could also measure the ease of buying policy concessions from recipient countries (see Bueno de Mesquita and Smith 2009). It is also of concern that an examination of subnational allocation patterns reveals that more developed provinces receive more rather than less Chinese aid (Dreher et al. 2016).

"Humanitarian Aid" is one of the means by which the objective of "Improving People's livelihood" can be achieved. It is defined primarily as aid given as emergency response to natural disasters, post-disaster reconstruction, and capacity building for disaster prevention and relief. Chinese humanitarian aid, however, is delivered on a rather "ad-hoc" basis.¹² As has been shown by Li (2012) and the UNDP (2015), its scale depends on the seriousness of the crisis itself; the host-

¹² See also Fuchs and Klann (2013) for an econometric analysis of the allocation and speed of disaster aid by non-DAC donors, including China.

country's needs; and China's bilateral relationship with the affected country. Bilateral political relations also affect the humanitarian aid allocation decisions of Western donors (e.g., Drury et al. 2005; Fink and Redaelli 2011; Raschky and Schwindt 2012).

Humanitarian motives are also visible in China's health aid.¹³ China has a long tradition of dispatching medical teams around the world, dating back to the 1950s. According to the second White Paper (SCIO 2014), between 2010 and 2012, China has dispatched 55 teams composed of 3,600 medical personnel to 54 countries to provide stationed or touring medical services, treating nearly seven million patients. A representative of China's National Health and Family Planning Commission (NHFPC) has argued that this proved valuable during the Ebola Outbreak in West Africa in 2014: Because China had medical team workers on the ground in Sierra Leone, Liberia and Guinea, which were the most affected countries, it was able to inform the Chinese Center for Disease Control at an early stage of the outbreak.¹⁴ Subsequently, between April and October 2014, China had contributed a total of US\$123 million and committed to send over 1000 health experts to the affected areas (UNDP 2014). However, the Ebola outbreak also showed the need to go beyond ad-hoc assistance on the ground and to contribute to building up sustainable public health structures. In 2016, China published the "Healthy China 2030 Planning Outline" which defined a new "China Global Health Strategy" (CCPCC and SC 2016). While the dispatching of medical teams remained an important component in the new strategy, it added new more systemic elements such as increasing the inclusion of women's and children's health in health aid, and support for the construction of disease prevention and control systems.

The developmental consequences of Chinese aid are subject to a wider debate (e.g., Tull 2006; Asche und Schüller 2008; McCormick 2008). Naím (2007: 95) denies that rogue donors such as China intend to support other countries in their economic development as they "are motivated by a desire to further their own national interests, advance an ideological agenda, or sometimes line their own pockets." In his extreme view, "[r]ogue aid providers couldn't care less about the long-term well-being of the population of the countries they "aid" (p. 95). Other praise Chinese aid for its growth potentials. For example, Wang (2007: 21) writes that "[b]ecause aid is used to finance infrastructure that complements investments in productive or export sectors, it helps leverage financing from nongovernmental sources and indirectly stimulates growth in the recipient country." Chinese scholars like He Wenping (Managing Aid Effectively 2008) maintain that there is no clear

¹³ This is not to say that humanitarian motives were the only drivers of health aid. As Shinn (2006) notes, medical aid is also considered as a tool to improve the reputation of Chinese medicine and as "a clever and low cost way to introduce Chinese-made medications to the African market."

¹⁴ Authors' interview with a staff member of the National Health and Family Planning Commission, Beijing, March 2016.

answer to the question “what aid system works best?” China’s aid, she argues, focuses on areas of China’s comparative strength, as well as recipient and Chinese need—similarly to Western aid providers.

Few analyses investigate whether Chinese aid is effective in promoting economic development. Using data on economic cooperation as a proxy for Chinese aid, Busse et al. (2016) find no robust effect of China’s economic cooperation on economic growth, while Chinese trade appears to have growth-promoting effects. More recently, two studies—one at the cross-country level and one at the subnational level—investigate the development effects of Chinese development finance, including ODA. Dreher et al. (2016) find that Chinese development projects lead to an increase in the local development of African provinces that host such projects. Since comprehensive subnational GDP statistics are not available in Africa, the authors use per-capita nighttime light emissions of African provinces as a proxy for local development. In quantitative terms, their results indicate that a 10% increase in Chinese official finance boosts regional GDP by about 0.24%. Similarly, Dreher et al. (2017) find positive growth effects at the country level. According to their results (p. 20), “a doubling of the Chinese ODA in the average recipient country increases recipient growth by 0.4 percentage points.” Despite these advances, there is still a long way to go before we can fully grasp the consequences of China’s development activities for growth and welfare in recipient countries.

5. Conclusions

This chapter discussed political, economic, and humanitarian motives as drivers of China’s foreign aid to other developing countries. Concerning the political drivers, the Chinese government explicitly names aid as a foreign policy tool that should help the country to create a favorable international environment for its development and support its rise to global power status. This stance reveals the interdependent relationship between Chinese foreign and domestic motives, as China’s economic modernization and growth are seen as prerequisites for China’s emergence as an economic and political power—and necessary to maintain the legitimacy and power of the Chinese Communist Party. Since China first began giving aid, it has been used as a tool to increase Beijing’s influence in global governance, particularly in the institutions of the UN, and to reward countries that abide by the One-China Policy. Furthermore, foreign aid has served and continues to serve as a tool to improve China’s image abroad—or, as the Chinese government officially frames it, “to promote friendly relations” with other countries.

Commercial interests began to play a role in the 1980s with China’s “Reform and Opening Up,” when economic modernization and development replaced ideology as the core driver of

Chinese domestic and foreign policies. For Chinese aid, it meant that it should be mutually beneficial in terms of China's own economic interests. This idea was further developed in the 1990s when Chinese aid was intended to also support Chinese companies' "going out." When China became the world's second largest oil importer in 2000, it started to increasingly provide loans in exchange for natural resources to increase its energy security. However, empirical results suggest that it is not China's ODA but rather the large-scale loans handed out by the country's policy banks that are targeted at resource-rich countries.

Finally, China's foreign aid can also be understood as a reflection of humanitarian and developmental motives. Throughout the history of Chinese aid, its officials have continuously maintained that China gives aid in order to help other developing countries to reduce poverty and improve recipient populations' livelihoods. Economic growth is understood as the primary engine for development. Indeed, quantitative research shows that poorer countries receive more Chinese aid and that more disaster-affected countries receive more humanitarian assistance, all else being equal. However, it has also been shown that poorer areas within countries receive less assistance from Beijing.

Obviously, these three major motives of Chinese aid are intertwined and their relative importance has been changing over the history of China's aid program and continues to evolve. Under the current Chinese leadership of President Xi, foreign aid is receiving increasingly more attention as a foreign and economic policy tool. A substantial evidence of this development is the repeated calls for "strengthening" and "reform" of the Chinese aid system (e.g., China Economic Net 2012; Yang 2012). Similarly to other policy areas, foreign aid was a target of Xi's anti-corruption campaign, and in September 2013 an inspection report by the Central Disciplinary Commission criticized the potential for corruption in aid projects (particularly abroad), irregularities in project tenders, and major cases of budget adjustments (Beijing Times 2014; cited in Rudyak 2014). The Chinese aid system is highly fragmented. Although MOFCOM is designated as the coordinating institution for foreign aid, it does not exercise authority with respect to other over 20 government ministries and agencies involved in foreign aid (Rudyak 2014). Yet, as the volume of Chinese aid continues to grow, the issue of reform is becoming more pressing. In early February 2017, the currently highest decision-making body for economic reforms, the Communist Party's Leading Group on Comprehensively Deepening Reform, which was established by Xi Jinping after his succession to power, passed the "Implementation Guidelines for the Reform of Foreign Aid" (Rudyak 2017b). It was the very first time that the Leading Group took on the issue of aid, presumably—as Xi has been quoted afterwards—because the leadership understood that "China must act more wisely when giving money to foreign countries" and need to optimize the strategic layout of foreign aid (Huang

2017).

Considering the rising importance of Chinese aid, the existing bodies of qualitative research, including the in-depth analysis of primary (Chinese language) sources, and quantitative research, including thorough analyses of recently published data, are very limited. While quantitative research has revealed a correlation between China's aid allocation patterns and proxies for its political interests, the literature on the political effects of Chinese aid is still underdeveloped.¹⁵ Given the scarcity of research, more light should be shed at the role of influential state-owned enterprises and party ties of private companies for the selection of Chinese aid projects.¹⁶ Future research should also seek to closer investigate subnational allocation patterns and distributional consequences of China's aid in recipient countries. Finally, the analysis of the effects of China's development footprint on development outcomes other than economic growth deserves more attention.

¹⁵ See Bader (2015a, 2015b), Hernandez (2017), and Li (2017) for recent exceptions.

¹⁶ See Zhu (2015) for first qualitative evidence.

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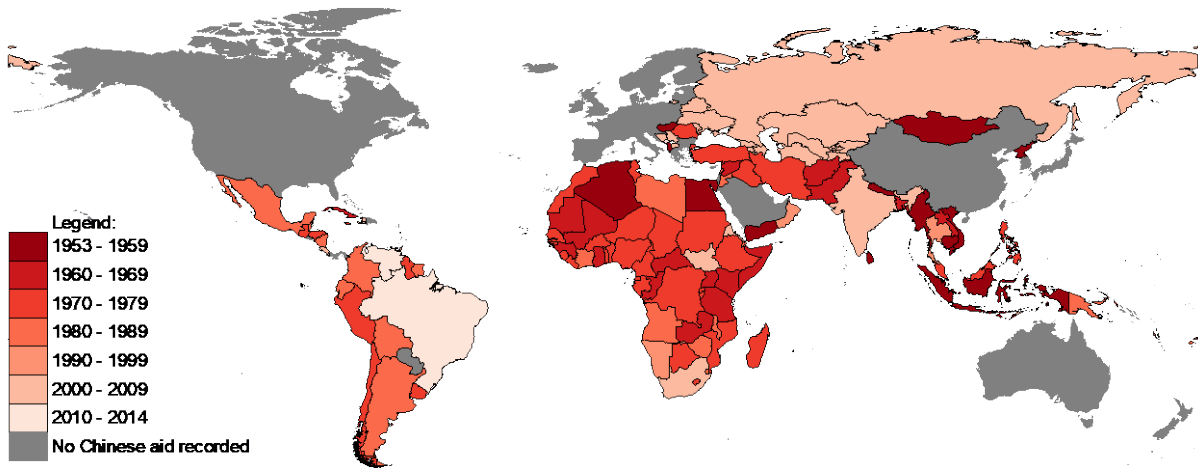
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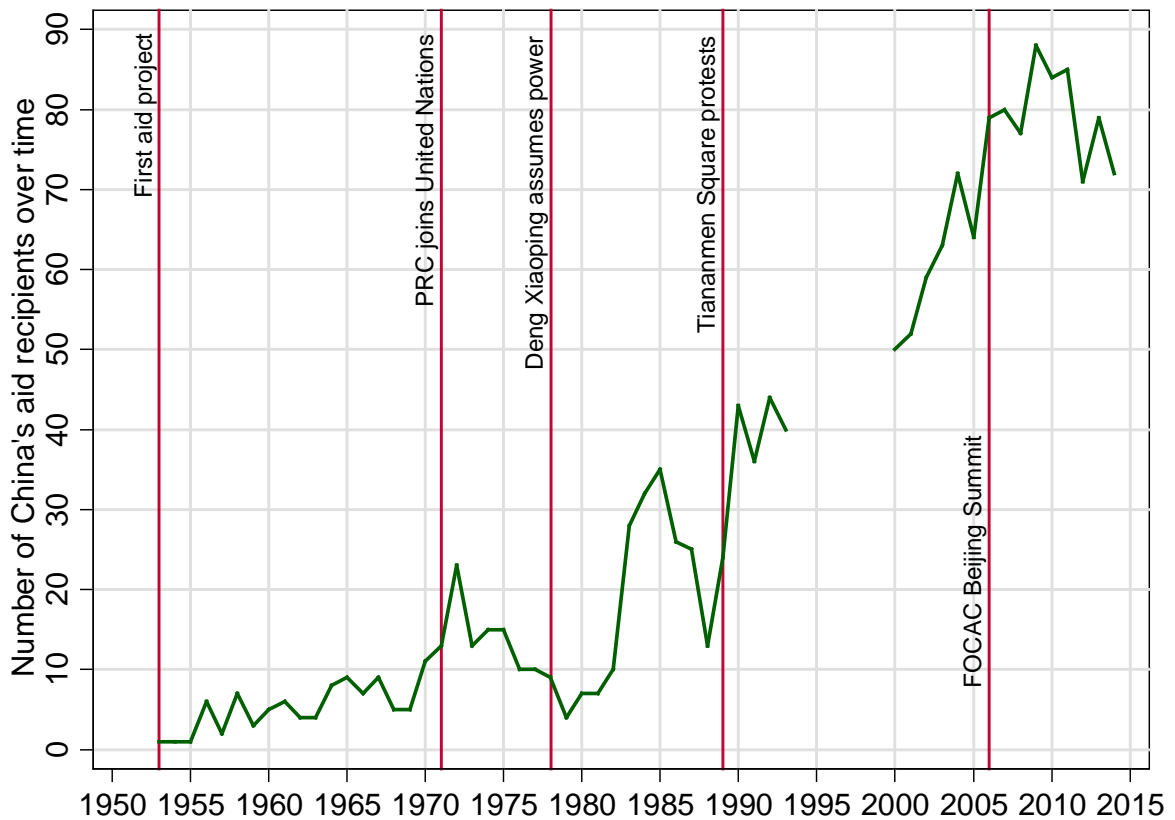
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Figure 1: Year of first Chinese aid project by country and decade (1953-2014)



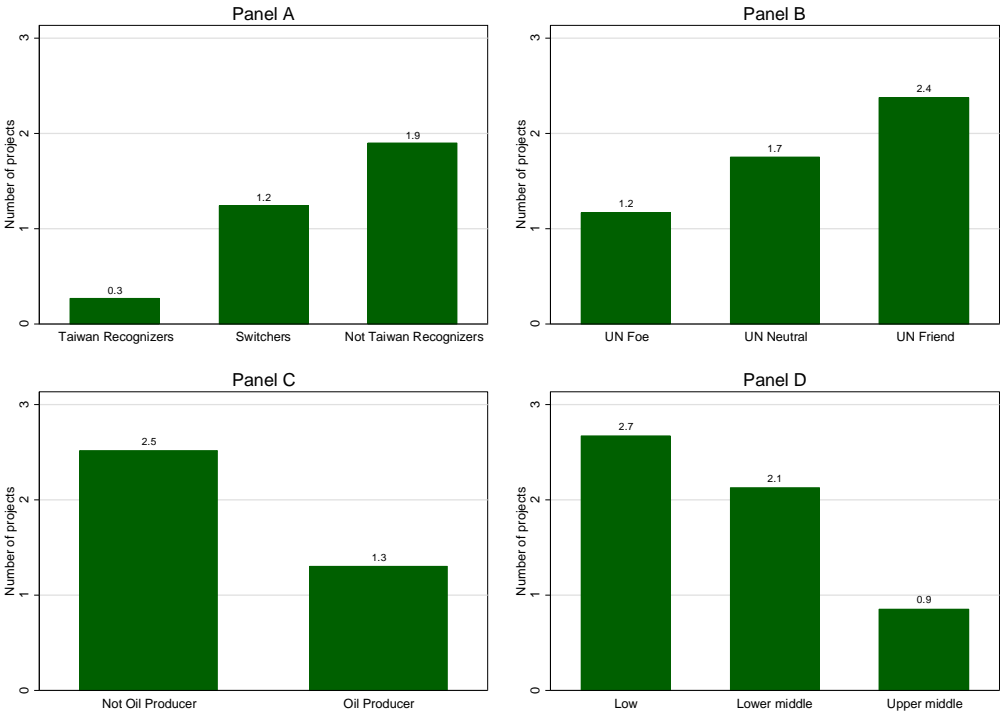
Source: Own figure with data from Dreher and Fuchs (2015), Lin (1993), and Dreher et al. (2017).

Figure 2: Number of Chinese aid recipients over time (1953-2014)



Source: Own figure with data from Lin (1996) and Dreher et al. (2017).

Figure 3: Number of committed Chinese ODA projects per country and year (2000-2014)



Source: Own figure with data from Dreher et al. (2017).