China's foreign aid policy: Motive and method

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China's foreign aid policy: Motive and method

Abstract
Extract: Foreign aid, also referred to as development assistance, is one of the most common instruments used by governments to achieve foreign policy goals, especially since the end of World War Two. Aid can attain many forms – mostly it comprises the transfer of money, goods or services from one country to another. Military assistance and food aid are among the earliest forms of foreign aid. In the last decades aid projects with the ultimate goal of improving the infrastructure in the recipient country have become increasingly common.

The world of development assistance is being shaken by the economic power shift occurring across the globe. Emerging donors, including China, UAE, Saudi Arabia, Korea, India and Brazil, are inconspicuously beginning to change the rules of the game. These new donors have been able to increase their volume of aid to least developed countries on terms of their choosing, as none of them belongs to the Organization of Economic Cooperation and Development (OECD).[1] The People's Republic of China (PRC, China) is the most prominent in this group of emerging donors.

Keywords
China, foreign aid, policy
China’s Foreign Aid Policy: Motive and Method

By Sara Lengauer

Foreign aid, also referred to as development assistance, is one of the most common instruments used by governments to achieve foreign policy goals, especially since the end of World War Two. Aid can attain many forms – mostly it comprises the transfer of money, goods or services from one country to another. Military assistance and food aid are among the earliest forms of foreign aid. In the last decades aid projects with the ultimate goal of improving the infrastructure in the recipient country have become increasingly common.

The world of development assistance is being shaken by the economic power shift occurring across the globe. Emerging donors, including China, UAE, Saudi Arabia, Korea, India and Brazil, are inconspicuously beginning to change the rules of the game. These new donors have been able to increase their volume of aid to least developed countries on terms of their choosing, as none of them belongs to the Organization of Economic Cooperation and Development (OECD).1 The People’s Republic of China (PRC, China) is the most prominent in this group of emerging donors.

Beijing’s top foreign policy priority is to maintain an independent, powerful, and united China that can pursue its number-one priority – economic development. Thanks to three decades of spectacular economic growth, the People’s Republic of China is an emerging economic power with increasing influence on the global stage. Even though it is still a developing country by its own definition, China has surpassed Germany as the number-one exporting country and Japan as the world’s second largest economy. Not surprisingly it has also overtaken the United States as the world’s largest energy consumer. China, a net importer of oil since 1993, cannot rely on its own oil and gas reserves to fuel its continued growth. Moreover, mineral and agricultural resources are also important for China’s continued development. Resource needs are therefore one motive for

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1 The author refers to the members of the OECD when talking about Western or traditional donors in this article. The 34 members countries of the OECD are: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.
China investing in developing countries that are rich in fossil fuels and other natural resources. Another motive concerns political interests, at both the regional and global levels. Foreign aid plays a vital role in advancing these economic and political interests. The core regions to which China targets its development assistance and foreign direct investment (FDI) are East and Central Asia, Africa and Latin America.

The international community largely perceives the Chinese approach to foreign aid as an instrument for exploiting the recipient country. Western donors in particular feel threatened by China's foreign aid policy, as an increasing number of developing countries engage in projects with China rather than with traditional donors. Moreover, as China's economy grows its structural power rises as well, thereby better positioning Beijing to disseminate its ideas and spread its practices of development. A new era of development assistance has begun and China is emerging as a role model for economic development for many developing countries.

Despite the significance of this change, research on China's foreign aid has been relatively neglected. Existing research mainly focuses on Chinese development assistance in Africa; by contrast, academic literature on its engagement in Latin America and East and Central Asia is sparse. However, these latter regions are also of crucial importance when examining China's foreign aid approach. With the launch of the first white paper on China's foreign aid policy in April 2011, Beijing has shed light on its development assistance, showing its willingness to cooperate and share knowledge and experience with traditional donors in the area of development assistance. Such collaboration would help in optimizing global aid development strategies.

This article will examine the spectrum of motivations influencing decision-making processes in China's foreign aid policy as well as the methods used by the Chinese government to achieve its economic and political goals. Statements, statistics, white papers and policy details from the Chinese Ministry of Foreign Affairs (MOFA), the Ministry of Commerce (MOFCOM) and the Ministry of Financial Affairs (MFA) serve as primary sources for this article, as well as white papers published by the Chinese government – especially the recent foreign aid white paper. Scholarly and news articles are also consulted, though foreign aid being a somewhat secretive topic in China means that few records of interviews with government officials are available. However, these few are worth noting, as

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2 Structural power is defined as “the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientists and other professional people have to operate... Structural power in short confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises” (S. Strange, 1988, States and Markets).
well as comments from government officials of aid receiving countries.

The Structural and Organizational Basis of Chinese Foreign Aid

Foreign aid basically refers to government funding of poorer countries to promote their economic and social development. In 1960, the Development Assistance Committee of the OECD defined a set of operational attributes that constitute foreign aid; collectively these are called Official Development Assistance (ODA). All member countries of the OECD work under this set of operational definitions of foreign aid. According to this standard, foreign aid encompasses concessional public resource transfers from one government to another (or to international or non-governmental organizations). According to the OECD, official financial flows have to meet two criteria. First, funding must promote economic development and welfare in the recipient countries. Second, funding must be given on a concessional basis with a grant element of at least 25%. By convention, ODA flows comprise contributions of donor government agencies, at all levels, to individual developing countries. This is referred to as bilateral ODA, as well as to multilateral institutions. OECD member countries report their aid on the basis of this definition.

As China is not a member of the OECD it is not obliged to comply with DAC (Developmental Assistance Committee) guidelines on foreign aid. In some aspects Chinese foreign assistance resembles ODA, but in others it shares characteristics of foreign investment. When defining the Chinese notion of foreign aid one therefore has to go beyond the definition of the OECD. The general purpose of China’s foreign aid is the same as that of the OECD: promotion of economic development and welfare in poor countries. Yet, China operates under a set of “rules” of foreign aid, which is also known as the Eight Principles for Economic Aid and Technical Cooperation to Other Countries. These eight principles, introduced in 1964 by Premier Zhou Enlai, are still an essential element of China’s foreign aid policy today. In brief they are:

1. equality and mutual benefit of donor and recipient country have to be ensured

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4 Distributing funds on concessional basis means that the loan is provided to poorest countries with lower interest rates and longer repayment periods than typical or standard market or multilateral loans, i.e. less than market interest rates and extended grace period. Concessional loans are also known as soft loans.
5 A grant element measures the concessionality of a loan expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest (usually market rate).
2. non-interference in internal affairs and respect for the state sovereignty of the recipient country by not attaching any conditions to aid
3. interest-free or low-interest loans are dispensed
4. the main purpose of aid is to foster self-reliance of the recipient country
5. this is ensured by supporting projects that yield quick results in order to increase revenues and accumulate capital of the recipient country
6. development projects are carried out with Chinese quality equipment
7. technological assistance and professional training of local workers is provided
8. Chinese aid workers implementing the project locally are required to submit to the local standard of living in the recipient country.

To uphold the Eight Principles the Chinese government provides a range of instruments to mediate its engagement in developing countries – economically and politically. This means Chinese economic programs are not aid in the pure sense. Instead many PRC economic investments in developing countries can be considered as foreign aid rather than direct investment, as they are secured by bilateral official agreements, do not impose real financial risks upon the Chinese companies involved and do not result in Chinese ownership of foreign assets.

Even though China uses the term “aid” in its official documents, “development assistance” would be the more appropriate term. However, because the OECD uses this term, China strictly refers to its development assistance as aid to differentiate itself from the OECD. Chinese aid is mostly bilateral (by China to a specific recipient state), whereas ODA covers mostly multilateral aid. Further, in contrast to the OECD definition of ODA, which excludes credits for exports of donor goods into the recipient countries, funding for cultural exchanges, remittances or private charity, the Chinese government includes all these actions in its foreign aid. Important to note at this stage is that China provides little military or security-related assistance, compared to OECD donors.

According to the PRC white paper on foreign aid there are three types of financial resources for aid: grants (gratis aid), interest-free loans and concessional loans, which are defined by the white paper as follows:

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7 State Council Information Office of the PRC, 2011, "White Paper on China’s Foreign Aid"
8 T. Lum et al., 2009, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia”, p.3
9 P. Opoku-Mensah, 2009, “China and the International Aid System: Challenges and Opportunities”, p.9
11 State Council Information Office of the PRC, 2011, "White Paper on China’s Foreign Aid"
1. **Grants** finance the construction of hospitals, schools and other medium and small projects of social welfare. Grants also facilitate technical cooperation and emergency humanitarian aid.

2. **Interest-free loans** are used to help the recipient country construct public facilities and launch projects to improve people’s standard of living.\(^\text{12}\) They have tenure of 20 years, including five years of payment, five years of grace and ten years of repayment.\(^\text{13}\)

3. **Concessional loans** are provided for large and medium-sized infrastructure projects as well as for projects generating both economic and social benefits for the recipient country and incur interest payments. The current interest rate of China’s concessional loans is between 2% and 3% with a period of repayment of 15 to 20 years (including five to seven years of grace).

Having identified the principles and financial means of China’s foreign aid, its structure including the roles and responsibilities of official actors need to be examined in order to understand more fully China’s foreign aid system. The organizational structure of China’s foreign aid differs from that of the OECD members. The latter are managed by centralized agencies or dedicated departments like the United States Agency for International Development or the Organization of the Petroleum Exporting Countries Fund for International Development (OFID). These involve a formal donor-recipient relationship where the donor imposes certain conditions. Chinese foreign aid, by comparison, is structured according to a complex top-down management system involving several ministries and institutions.

At the top level is the State Council making major policy decisions. Aid budgets, cash grants above US$1.5 billion, all aid projects above RMB100 million (about US$12.5 million), aid to “politically sensitive” countries and any requests exceeding the annual foreign aid budget have to be approved by the State Council.\(^\text{14}\) Reporting directly to the State Council are three ministries involved in managing China’s foreign aid: the Ministry of Commerce (MOFCOM), the Ministry of Finance (MOF) and the Ministry of Foreign Affairs (MFA). Besides these, the China Export-Import Bank (Exim Bank) is involved. Multilateral and bilateral aid are managed separately. The Ministry of Finance is mainly responsible for allocating donations to multilateral organizations, like grants to the UN agencies.\(^\text{15}\) Further, it manages cancellations of foreign aid debts owed to China.

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\(^{12}\) According to the white paper interest-free loans are mainly provided to developing countries with good economic conditions.

\(^{13}\) By comparison, loans from the World Bank are supposed to be paid back before all other loans (D. Brautigam, 2011, "The Dragon’s Gift: The Real Story of China in Africa", p.147)

\(^{14}\) X. Li, 2008, “China’s Foreign Aid and Aid to Africa”

It also drafts the annual aid plan together with the Department of Aid in the Ministry of Commerce and signs off any changes made to this plan.¹⁶

The MOFCOM manages and executes bilateral foreign aid policies, issues grants, interest-free loans and coordinates with China Exim Bank on concessional loans.¹⁷ According to MOFCOM, the ministry has a mandate to “formulate and implement China’s foreign aid policies and plans, facilitate the reform on foreign aid provision modalities, compile foreign aid programs, select foreign aid projects and organize their implementations”.¹⁸ These activities, as well as budgeting and data collection are mainly undertaken by the Department of Foreign Aid in the Ministry of Commerce.¹⁹ The loans issued by the Exim Bank directly finance projects carried out by Chinese companies and are not managed via accounts controlled by host governments. This procedure should guarantee the “economic benefits and the safe return of loans”.²⁰

Besides the three main ministries, functional ministries, such as the Ministry of Health and Education, deploy staff for technical advice and are involved in training local staff in recipient countries ²¹ Due to the dispersion of responsibilities the system requires several interlocutors in different locations. The fact that aid management spreads across all these ministries makes reporting and analyzing of aid more difficult.²² This has led to the criticism that the Chinese aid system lacks institutionalized support services – such as aid research institutions, evaluation departments of official aid agencies and a consultancy industry – that have developed around the Western aid system.²³

Information on the volume and distribution of Chinese aid is therefore hard to identify and was long kept a state secret. Various sources (mostly of Western origin) have put the figures on Chinese aid commitments somewhere between US$1 billion and US$3 billion annually. However, when moving away from the narrow DAC/OECD definition of aid a rather different picture of China’s role emerges. Research of the NYU Wagner School revealed that the PRC’s foreign assistance and government-supported economic projects in Africa, Latin

¹⁶ F. Hanson, 2008, “The Dragon Looks South”, p.9
¹⁹ F. Hanson, 2008, “The Dragon Looks South”, p.9
²³ P. Opoku-Mensah, 2009, “China and the International Aid System: Challenges and Opportunities”, p.4
America, and Asia amounted to US$27.5 billion in 2006. This high discrepancy in the projections of the volume of Chinese foreign aid has several explanations. Firstly, no clear borderline between aid and commercial activities such as trade and investment exists. As a result, projects may be counted as aid that were actually FDI. Furthermore, Chinese material and labor might have not been included in some calculations.

The above considerations are only part of the reason why no official figures are published on the actual volume of Chinese foreign aid. The secrecy of the Chinese government regarding aid volume has also several domestic and international motives. First, the Chinese government does not want to find itself under unwelcome pressure from recipient countries demanding more or the same amount of aid that other countries receive. Second, an officially confirmed amount of aid could provoke domestic criticism. China is giving substantial aid to foreign nations while the homeland itself suffers from a low standard of living. China is still a developing country, with per capita Gross Domestic Product (GDP) in 2010 only around $4000. Disclosing too many details of its multi-million-dollar aid projects could provoke political controversy. Third, as introduced earlier, the Chinese themselves are unaware of the exact amount of aid given to developing countries, as their aid is a mix of concessional loans with trade and investment financing. China does not keep data on its assistance as defined by the OAD guidelines. Aid is part of larger packages of investments and trade deals with recipient governments. Even Chinese labor is considered part of aid. China is comparatively unorthodox in record keeping, as it is not used to Western levels of transparency, in general.

Fortunately, the release of the PRC foreign aid white paper in April 2011 has disclosed information on the volume of aid, despite the above-mentioned reasons for secrecy, and provided the world with the first official data on Chinese foreign aid. According to this document, China has provided a total of RMB256.3 billion (~US$40 billion) in aid to foreign countries since 1950, including RMB106.2 billion (~US$16.3 billion) in grants, RMB76.54 billion (~US$11.7 billion) in interest-free loans and RMB73.55 billion (~US$11.3 billion) in concessional loans. Chinese aid has gone to 161 countries in total, of which 30

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24 NYU Wagner School, April 25, 2008, “Understanding Chinese Foreign Aid: A Look at China’s Development Assistance to Africa, Southeast Asia and Latin America”
25 T. Lum et al., 2009, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia”, p.4
28 F. Hanson, 2008, “The Dragon Looks South”, p.18
were in Asia, 51 in Africa, 18 in Latin America and the Caribbean, 12 in Oceania and 12 in Eastern Europe.\textsuperscript{30} About 80\% of Chinese aid goes to Asia and Africa, which are the main areas of interest to China (see Figure 1).\textsuperscript{31} While the release of the white paper has improved the information base on which research may be conducted, the structure of China’s foreign aid is still difficult to ascertain.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{fig1.png}
\caption{Geographical Distribution of China’s Foreign Aid Funds in 2009 (Source: State Council Information Office of the PRC, April 2011, “White Paper on China’s Foreign Aid”)}
\end{figure}

\section*{Cultural Influence on Aid Practices}

China’s foreign aid is partially driven by Confucian values. Confucius or Kong Fuzi (551 – 479 BC) codified Chinese tradition and addressed the problem of building a just world order.\textsuperscript{32} Since the Han Dynasty (206 BC – 220 AD) Confucianism forms a foundational pillar of Chinese political culture and provides the philosophical underpinning of the Chinese state.\textsuperscript{33} Confucian conceptions of morality inform the most essential elements in China’s conduct of foreign policy.\textsuperscript{34} Confucianism covers values and ideas regarding human relationships, social structures, virtuous behavior, and work ethic.\textsuperscript{35} Confucian values may also be detected in the method of PRC foreign aid.

Historically, Confucianism provided the basis for the tribute system, which characterized the Chinese traditional way of foreign relations, especially in its periphery. It remained intact until the 19\textsuperscript{th} century. The concept assumes a Sino-
centric world, in which China’s relations with other states were hierarchic, like Chinese society itself. Respect for this hierarchy and acknowledgment of Chinese superiority were usual requirements for opening relations with China. Foreign emissaries visited China to bargain for protection or trade and always brought gifts for payment. However, tribute missions were more beneficial for the tribute bearer than for China, as China’s “gifts” (a historical-cum-cultural antecedent of today’s foreign aid), came in the form of products to demonstrate and disperse Chinese civilization and science. As the Qing Dynasty weakened in the face of Western imperial pressure, the Westphalian system of international relations overtook the tribute system. Today Chinese aid is motivated by political and economic concerns, whereas the tribute system had placed political over economic goals.

The main Confucian belief in the context of foreign aid today is that the supreme goal of government is to achieve a universal world of peace and harmony (da tong shijie 大同世界) by good governance. The mechanism for developing this universal community is to build relationships with other communities, more or less powerful than China itself. Five basic forms of human relationships in Confucianism come into play: (1) ruler to ruled; (2) father to son; (3) husband to wife; (4) elder brother to younger brother; and (5) friend to friend. The relationship between China as a donor and the recipient country is considered as a friend-to-friend relationship. In other words, Chinese foreign aid is an act of friendship with the overarching goal of achieving global harmony. In the context of this friendship the ideal ruler governs according to moral standards of benevolence toward the common people and hence will be able to maintain harmony in the family, stability in a kingdom and peace in the world. Relationships are in continuous development and need to be constantly cultivated. Here the Chinese concept of guanxi (关系) – most commonly translated as “relationship” – comes into play. It holds that constant investment in relationships leads to trust.

In essence, Chinese are striving towards superior government and would feel embarrassed if their way of governing would involve naked self-interest. This ideological thought is reflected in the approach towards Chinese foreign aid.

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37 Copper, 1976, “China’s Foreign Aid: An Instrument of Beijing’s Foreign Policy”, p.6
38 Ibid.
Confucianism is at the root of the definition of Chinese foreign aid (as evident in the above-noted Eight Principles which also have a socialist base), reflecting the moral and idealistic elements of China’s foreign policy thinking. Such thinking is familiar from the perspective of traditional Chinese morality. Hence, the Confucian framework influences the way Chinese foreign aid is practiced.

Another pertinent aspect of Confucianism is that it holds that leaders should rely on the education of people to reinforce and further develop human ethics. This approach correlates with Chinese foreign aid policy. Further, Confucian thought provides the background for the concept of win-win cooperation and of mutual benefit. The application of Confucian thought to the practice of foreign aid will be discussed further when examining the methods of Chinese foreign aid.

**Evolution of Chinese Foreign Aid**

As shown above, foreign aid is not a new concept for China. It has been practiced since the early days of Chinese civilization in the form of “gifts” by the Chinese Emperor to tributary states. Yet, the intensity of aid giving as well as its practices and the incentives behind it have changed significantly over time. This section examines the motives and methods of China’s foreign aid policies since the formation of the People’s Republic of China in 1949. Further, an overview of the historical change in methods and motives related to the change in political leadership is provided.

China’s aid to developing countries is driven by a variety of motives, of which there are three main categories:

1. **Economic motives**: the securing of natural resources, such as oil, gas, but also copper and other minerals as well as breaking into new consumer markets and hence increased trade;
2. **Political motives**: the establishment of strategic diplomacy;
3. **Ideological motives**: formerly spreading the communist ideals, nowadays spreading Chinese values and hence increasing China’s soft power – though less intense compared to religious ideology or the West’s quest of spreading and strengthening democracy globally.

According to the findings of the 2008 NYU Wagner School Study on the understanding of Chinese foreign aid, economic and commercial interests are at

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42 K. Johnson, 2009, “China’s Strategic Culture: A Perspective for the United States”, p.19
the heart of Chinese aid motivation. Primarily, the need for natural resources and raw materials (petroleum, minerals, food and fiber) drive China's foreign aid today.\textsuperscript{45} After surpassing Japan in 2003 and the US in June 2011 China is now the world's largest energy consumer, with a 19\% share of the global total.\textsuperscript{46} Two-thirds of China's oil is imported from the Middle East.\textsuperscript{47} This dependence on Middle East oil imports puts China in a disadvantageous situation. Beijing has started to search for new oil suppliers. Most of them have been found in Central Asia, Latin America and Africa; this is also where most of China's aid goes. Along with its rapid economic growth the country's need for primary resources for manufacturing has increased significantly.

Another objective of China's foreign aid, which is closely linked to its commercial benefit, is opening up new export markets for Chinese products and helping PRC companies to invest and set up manufacturing plants in foreign markets.\textsuperscript{48} Hence, foreign aid can be considered as a means of conducting business. The third major objective of China's foreign aid is linked to strategic diplomacy. Here China follows objectives concerning its standing in its own region – East Asia and Central Asia – but also global diplomatic strategies.

The central regional objective of China's aid is the isolation of Taiwan.\textsuperscript{49} Currently, Taiwan as the Republic of China enjoys a de facto independence with a 23 states recognizing and maintaining diplomatic relations with ROC compared to 170 for the PRC. China has long been in conflict with Taiwan on this issue, warning against any declaration of formal independence which would trigger Beijing to take Taiwan by force.

Supporters of Taiwan's independence do not recognize the government of China as they claim that Taiwan is not part of China. For them the "Republic of China (Taiwan)" is an independent, sovereign state with its own capital – Taipei. Obviously the PRC does not accept this and promotes the One-China policy. According to this policy China considers Taiwan a part of the PRC, which is represented legally by Beijing. China has long provided aid to developing countries as part of its struggle with Taiwan, with the goal of implementing the One-China policy. China aims at pushing Taiwan out of all formal Intergovernmental Organizations (IGOs). Today Taiwan is still member in 28

\begin{thebibliography}{99}
\bibitem{45} NYU Wagner School, April 25, 2008, "Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia and Latin America"
\bibitem{46} NPR, 2011, "China Surpasses the U.S. as the World's Largest Energy Consumer"
\bibitem{48} NYU Wagner School, April 25, 2008, "Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia and Latin America"
\bibitem{49} J. Kurlantzick et al., 2006, "China's Africa Strategy: A New Approach to Development and Diplomacy?"
\end{thebibliography}
IGOs and informal member in 17 IGOs worldwide. However, it has been excluded from all IGOs related to the UN, including the UNESCO, Interpol, the UNHCR and the WHO amongst others.\textsuperscript{50} In the 1970s diplomatic recognition as the rightful representative of the Chinese people was the main motive for aid provision as part of the competition with the former Soviet Union and the US for influence among developing countries, especially in Africa. China is still competing with Taiwan for diplomatic recognition in a few countries in Africa and Latin America and aid is only given to countries that recognize Beijing.\textsuperscript{51}

Besides Taiwan, an impetus for Chinese aid provision is to garner support in international organizations, such as the United Nations. In the past China provided aid to developing countries with the motive that they vote in favor of a permanent seat for China in the United Nations Security Council (UNSC), which it gained in 1971, not the least due the votes from several African countries recognizing Beijing.\textsuperscript{52} Even though this goal had been met, global strategic objectives still remained. China does not want to be regarded as a major donor, but it still wants to position itself as a strong power in the international community, and increase its structural power and its legitimacy. In this respect, aid projects should bear witness to China's influence as a leader in the developing world.\textsuperscript{53} The public relations (or propaganda) value of aid becomes apparent.

The fourth overarching motive of China's foreign aid is the improvement of the appreciation and esteem of Chinese culture and values. China seeks to expand its international influence and with it its soft power (ruanshili 軟實力) through aid.\textsuperscript{54} The win-win approach, as well as the idea of a "harmonious world" spreads Confucian values and principles. However, in sharp contrast to the United States and, in former times, the Soviet Union, China in recent decades has not been devoted to advancing any higher international ideological concept such as world democracy or world communism. Ideology has been secondary to advancing China's national interest, at least since the death of Mao.\textsuperscript{55} Figure 2 below illustrates the motives of China's foreign aid policy.

\textsuperscript{50} T. Chen & E. Chen, 2009, “International Organizations, International Institutions and International Regimes: Which One Favors Taipei?”
\textsuperscript{53} J. Copper, 1976, “China’s Foreign Aid: An Instrument of Beijing’s Foreign Policy”, p.12
\textsuperscript{54} G. Singh, 2011, “The Rights and Wrong’s of China’s Foreign Policy”
\textsuperscript{55} K. Johnson, 2009, “China’s Strategic Culture: A Perspective for the United States”, p.17
As already noted, China has a highly state-centered approach to development cooperation. It cooperates almost exclusively with state structures and institutions, interprets the state as the prime development actor and has very little experience in cooperating with non-state actors. Chinese foreign aid policies do not involve conditionalities that typically accompany Western aid concerning human rights performance, economic management or state sovereignty of the recipient country. Nevertheless, often China’s practices of foreign aid have been copied from those of Western donors. Most ideas and practices applied by the Chinese are based on their own experience with Japan’s engagement in China after the Mao era. In its early stages of economic development China received foreign investments and loans from Japan in exchange for resources (oil, coal, copper and gold). This is how China learned to

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**Fig. 2: Motives of China’s Foreign Aid Policy** (Source: Sara Lengauer, 2011)

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mix aid with other forms of economic engagement. Today, it applies this structure to many African, Asian and Latin American countries. The content of the current Chinese aid policies reflects a belief that what worked for China will work for other developing countries as well.

Having considered the principles of China’s foreign aid, an analysis of its foreign aid strategy is in order. The 2011 white paper identifies eight forms of foreign aid. First, complete projects comprising productive (infrastructure) or civil projects are the major form of China’s foreign aid as presented in Figure 3. According to the white paper, China had provided concessional loans to 76 countries, supporting 325 projects, of which 142 had been completed by the end of 2009. The entire operational process of these projects from draft to construction is supervised by the donor and handed over to the recipient country after completion. The first complete projects of post-war reconstruction and economic development were undertaken in Vietnam and North Korea. Later, this form of foreign aid expanded in scale and it now accounts for 40% of China’s foreign aid expenditure.

![Fig. 3: Sectorial Distribution of Concessional Loans from China](Source: State Council Information Office of the People’s Republic of China, April, 2011, “White Paper on China’s Foreign Aid.”)

A second form of aid occurs as goods and services. In the 1950s and 1960s the first form of Chinese foreign aid constituted donations of medical devices, food, office equipment and technical products, such as civil aircraft and locomotives. These helped recipient countries in developing their local industries. Third, aid is given in the form of technical cooperation, which includes technical guidance on

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60 Ibid.
production\textsuperscript{61} as well as training managerial and technical skills of locals in order to strengthen the self-development capacity of recipient countries.\textsuperscript{62}

A fourth form of aid is human resource development cooperation. Through bilateral and multilateral channels China runs research and training programs for government officials and education programs for developing countries. In 1998 the Chinese government began to run seminars for officials. By the end of 2009, about 120,000 trainees, including interns, managerial and technical personnel and officials, had attended 4,000 training sessions. Currently, 10,000 people in developing countries receive Chinese training every year.\textsuperscript{63} Education is one of the central methods for long-term sustainable development. The resulting human capital is of major benefit for recipient countries. With this method China follows a Confucian saying: "If you plan for a year, plant a seed. If for a hundred years, teach the people." Beyond the now officially reported managerial training, China also teaches Chinese history and culture.\textsuperscript{64}

Fifth, China provides fixed and mobile medical clinics and equipment as well as medical personnel. By the end of 2009 China had sent 21,000 medics to developing countries treating 260 million patients.\textsuperscript{65} Sixth, emergency humanitarian aid is provided on a bilateral basis to regions that suffer from severe natural or humanitarian disasters. In 2004 China donated over RMB700 million (~US$110 million) worth of aid to countries hit by the tsunami. Countries like Ecuador, suffering from dengue fever or Mexico, which had to fight influenza A (H1N1) have also been granted aid.\textsuperscript{66}

Seventh, China is sending volunteers to developing countries, such as Laos in order to provide services in the fields of Chinese language teaching, traditional Chinese medicine treatment, computer skills and many other areas. It has to be noted that the volunteers work for state-owned enterprises to make sure that they are “politically reliable”.\textsuperscript{67} Besides volunteers, China provides financial support to students from other developing countries coming to China. This method is mainly driven by the motive of culture and value dissemination to enhance mutual understanding.

\textsuperscript{61}As stated in the white paper this technical guidance is provided in a range of fields: farming and poultry raising, handicrafts, culture and education, sports, medical and health care as well as clean energy development (bio-gas and small hydropower generation).

\textsuperscript{62}State Council Information Office of the People's Republic of China, 2011, White Paper on "China's Foreign Aid"

\textsuperscript{63}Ibid.

\textsuperscript{64}D. Brautigam, 2011, “The Dragon’s Gift: The Real Story of China in Africa”, p.120


\textsuperscript{66}Ibid.

Eighth, debt relief is an important form of Chinese aid, which is listed last in the white paper, but surely has a major impact on recipient as well as on other donor countries. China cancels government debts of heavily indebted least-developed countries which have diplomatic ties with China. By the end of 2009 China had relieved 50 countries from Africa, Asia, Latin America, the Caribbean and Oceania of their debt to the PRC (debts totaling RMB25.58 billion, ~US$4 billion).68

Most of the methods and goals listed in the white paper have been addressed by the Chinese Premier, Wen Jiabao, at the UN high-level plenary meeting on the Millennium Development Goals, in the UN headquarters in New York on September 22, 2010.69 Moreover, he added the expansion of economic and trade relations with developing countries as a special form of aid. Since July 2010 China imported goods from 33 Least Developed Countries (LDCs) without imposing any tariffs.70 Another method of aid mentioned by the Premier Wen in September 2010 is the cooperation with developing countries in agricultural production. In the next five years, China plans on dispatching 3,000 agricultural experts and technicians to developing countries dealing with projects in agricultural planning, hybrid rice, aquaculture, farmland water conservancy and agricultural machinery.71

A form of aid, which is neither included in the white paper on foreign aid, nor mentioned by officials, but which still represents an important tool of China’s aid giving is military cooperation. The focus of military support, especially to Central Asia and Africa, has been on providing training programs, basic equipment and arms sales.72

At this stage it is important to note that China does not give cash aid, in contrast to a growing trend in the West.73 Cash aid to developing countries is only provided as a rapid response to emergencies. Any cash aid exceeding US$1.5 million has to be approved jointly by the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Commerce.

The method of China’s foreign aid goes beyond practical implementation processes and includes, for instance, the above-noted concept of guanxi. This concept of networking differs from the Western one as the latter is typically impersonal and mostly concerns the organizational level.74 In contrast,
exchanges of favors amongst members of the guanxi network are not solely commercial, but also social, involving the exchange of gifts.\textsuperscript{75} Chinese officials visit recipient countries regularly and, even today, offer gifts to the governments of the countries they are visiting.

Turning to the history of the PRC as a donor of foreign aid, three distinct phases can be identified. While the motives of aid giving have changed strikingly over time, the methods, driven by the Eight Principles and the Confucian culture, have remained relatively stable. The first phase in China's foreign aid lasted from the early 1950s until the end of the 1970s, when Chairman Mao was in power. At the time of the Cold War socialist China used aid as a foreign policy tool to export its socialist ideology. China supported other socialist countries and liberation movements. To quote Zhou Enlai (1964) in a discussion of China's aid to developing countries:

"It is not our intention to make them dependent on us. We believe that the newly independent countries can build themselves up by relying primarily on their own efforts. The independent development of their national economies will enable them to free themselves from the control of capitalism, both old and new, and thus weaken imperialism. As a result, this development is also a great help to China".\textsuperscript{76}

The second phase of China's foreign aid began with the death of Mao and with Deng Xiaoping taking up leadership in the late 1970s. Economic reforms were introduced by this second generation leadership, which turned the Chinese economy from a closed, centrally planned economic system into a more open, diversified and market-oriented one. With this fundamental change in economic policy Deng Xiaoping initiated a new approach of Chinese international collaboration: economic pragmatism.\textsuperscript{77} As encapsulated in his famous quote, "Black cat, white cat, it doesn't matter as long as it catches mice", Deng's pragmatism compared to Mao's ideological view when it came to economic construction. Foreign aid also shed its ideological blinkers in the quest for resources, but with Confucian characteristics focusing on mutual benefit and economic sustainability for the developing country.\textsuperscript{78} According to the white paper on Chinese foreign aid, with the adoption of the reform policies and the opening of its economy in 1978:

“China adjusted the scale, arrangement, structure and sectors of its foreign aid in accordance with its actual conditions. It strengthened its foreign aid to the least

\textsuperscript{75} Ibid.
\textsuperscript{76} Ibid.
\textsuperscript{78} P. Opoku-Mensah, 2009, “China and the International Aid System: Challenges and Opportunities”, p.7
developed countries, paid more attention to the economic and long-term effects of aid projects and provided aid in more diversified and flexible ways.”

During this second phase, China still supported anti-imperialism, anti-colonialism and anti-hegemony through aid activities, but the era of spreading ideology through aid was over. The third and current phase of China’s foreign aid began with the end of the Cold War. Since the beginning of the 1990s China significantly enlarged its volume of aid and expanded the coverage of recipient countries. Especially with the increase in financial aid and technical assistance, China entered a new period which emphasizes reciprocity and mutual benefit, economic benefits and the integration of political interest. In recent decades China’s own economy boomed – and it still does with an average annual growth rate between 8% and 10% since 1978. Deng Xiaoping’s lead has since been followed, but China has taken a series of measures to reform its foreign aid mechanism. More infrastructural aid programs, increased technical assistance and trade relations have been implemented supporting economic development. In the 1990s the source and means of funding were diversified and adjustments made to the forms of aid. For example, in 1993 the government set up the Foreign Aid Fund for Joint Ventures and Cooperative Projects to support Chinese small and medium-sized enterprises. In 1995 China began to provide medium- and long-term low-interest loans to other developing countries. However, generally the concept of China’s aid is still considered a South-South affair – cooperation between developing countries – rather than North-South, which characterizes traditional aid between the West and Africa. The following section examines China’s South-South aid through case analyses.

Regional Case Studies

China has become a major donor for countries in Asia, Africa and Latin America, especially in the last two decades. According to the CRS Report for Congress, China’s foreign assistance and government-supported economic projects in the three core regions of investment grew from less than US$1 billion in 2002 to US$27.5 billion in 2006. China’s engagement has different foci in Asia, Africa and Latin America. China’s foreign aid activities in Central and East Asia are strongly related to long-term diplomatic or strategic objectives. Both Asian regions are of crucial importance to China’s regional stability, which clearly is

81 X. Li, 2008, “China’s Foreign Aid and Aid to Africa”  
84 T. Lum et al., 2009, “China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia”
the main motive for aid provision. Africa and Latin America serve China’s immediate economic interests. In these regions infrastructure projects are the most common form of aid. Yet, in all three regions of investment China wants to project the image of having a special understanding and sympathy for shared problems of poverty due to its own history as a developing, aid-receiving country.85

1. Central and East Asia

Throughout history, with partial exceptions during the Han, Tang and Qing Dynasties, China has had limited influence on Central Asia, partly because of instability along its periphery and within its own borders. During the Mao era, aid was aimed at supporting liberation wars of foreign revolutionary groups. China supported Pakistan militarily to fight India, as well as Tanzania and Albania to deal with the perceived Soviet threat.86 In the past two decades the world has witnessed a shift in Chinese foreign policy. China moved from a relatively uncommitted power to greater participation in the Asian region and the world. China’s involvement in the Six-Party-Talks aiming at ending North Korea’s nuclear program, its strong engagement with the Association of Southeast Asian Nations (ASEAN) and in the Shanghai Cooperation Organization (SCO) – a military, economic and cultural cooperation among China, Russia and the four newly independent Central Asian states Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan – indicate a more responsible international diplomacy pertaining to China’s periphery.87 Alongside the SCO venture China expanded its development aid to the Central Asian member states. Besides the named countries, Afghanistan, a strategic player when it comes to China’s regional security - and not only due to its geographic location – is a major recipient of Chinese foreign aid. In the following section the key motivations of China’s aid in Central and East Asia are examined and methods of implementation are analyzed.

Yang Yanyi, deputy director general of the Asian Department in China’s Ministry of Foreign Affairs, told an academic seminar in Beijing in 2008 that: “The purpose of China’s regional cooperation policy is to facilitate China’s development and promote regional peace and common development. China wants to maintain a peaceful stable environment, especially in its periphery.”88 China’s aid to its periphery is mostly motivated by political concerns regarding regional stability and domestic security, but also the level of political influence in

86J. Copper, 1976, “China’s Foreign Aid: An Instrument of Beijing’s Foreign Policy”, p.15. China and the USSR were no longer friendly after 1960.
the region. Chinese policymakers’ concern is that a decline in influence in Central Asia would threaten China’s economy, security, and stability. For China foreign aid here serves as a tool to maintain and further gain influence, trust and support in the region. While this can attest to the influence of Confucian strategic culture, Western Realists would also interpret such desired outcomes as a quest to balance other powers active in China’s periphery. These are the US, Russia, India, and Japan.

China’s strong engagement in aid provision to North Korea (Democratic People’s Republic of Korea, DPRK) and the fact that it hosted the Six-Party-Talks demonstrates the level of importance of this issue to China. Normally China does not take the chairing role in multilateral talks. Yet vital interests are at stake for Beijing in ensuring a stable DPRK. This state represents a strategic buffer zone in Northeast Asia in the face of the tens of thousands of US troops stationed in South Korea. China’s main foreign policy goal here is to prevent a collapse of the DPRK, as this would cause an enormous refugee problem for China besides serious impacts on its economy. China is North Korea’s longest and largest bilateral aid donor, mainly providing energy assistance and food aid.

One of Beijing’s security priorities for greater Central Asia is ensuring that terrorist activities and radicalism in the region do not spread to China. Hence, territorial security is another major driver of China’s foreign aid to Central Asia. At the heart of this concern is the stability of the Xinjiang Uyghur Autonomous Region (the Western-most province of China that is home to the Uyghur ethnic minority), constituting one of the primary factors determining China’s foreign policy towards Central Asia. Radical elements of the Muslim Uyghur people, such as the East Turkestan Islamic Movement, cite religious and cultural persecution by the Han Chinese for centuries. They strive to establish their own independent state – East Turkistan. This struggle, which China continually tries to suppress, is particularly worrisome when Uyghur separatists are linked to terrorist groups in Pakistan, Afghanistan, and other parts of Central Asia. Weakening these terrorist groups is one of China’s foreign policy goals.

Although China has no troops in Afghanistan, Beijing is eager to reduce terrorism and extremism in accord with Kabul to maintain regional security and stability.

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91 M. Manyin & M. Nikitin, 2011, “Foreign Assistance to North Korea”, pp.19, 23
stable government in Afghanistan would be of benefit to China in suppressing uprisings in Xinjiang. For this purpose, China is providing aid and economic support for Afghanistan's peaceful reconstruction. Beijing and Kabul have agreed to fight the “three evils” of terrorism, separatism and religious extremism, for which Beijing is providing military assistance to the Afghan National Army in the form of military supplies and personnel training.94

China’s motivation of aid provision to Kazakhstan is of similar nature. Some scholars, such as Peyrouse, argue that China tries to “buy” Kazakhstan’s support against Uyghur separatism and religious extremism, with signed agreements on providing Chinese military material and technical equipment worth US$1 million. In all of Central Asia, the Kazakhstan’s stability is of paramount importance to China. Relations between the two countries date back 2,000 years, when the Silk Road was the main trading route between Asia and Europe. Since the foundation of the new Central Asian countries in the early 1990s relations between the two have been strong and Astana has been receiving technological aid, communications equipment, and transportation.95 In addition, China provides professional military training for members of the Kazakh military in Chinese institutions. China also provides military aid to Uzbekistan, Kyrgyzstan and Tajikistan.96 Massive grants to these Central Asian countries are indicative of China’s increased military diplomacy activities since the early 2000s.97

Besides political incentives, China’s aid to Central Asian countries is driven by the need for energy security. Central Asia’s geographical proximity to China affords secure access and obvious advantages in transportation efficiency for natural resources, especially oil and gas. China hopes to support its two goals of regional security and energy supply with the establishment of several gas and oil pipelines, as well as to securing safe transportation of Chinese and Central Asian goods on newly constructed roads. One major infrastructure project in Central Asia, implemented mostly by aid money, is the Turkmenistan-China gas pipeline traversing Kazakhstan and Uzbekistan.98 China also constructed an oil pipeline to Kazakhstan linking its oilfields to Xinjiang’s northeast via the Alashan pass.99 Furthermore, the Chinese government provided US$600 million in loans for the construction of a gas pipeline connecting Uzbekistan’s gas resources with the

95 Ibid.
Kazakhstan-China gas pipeline. The so-called "Energy Silk Route Pipeline System" will help China to secure much needed energy and, at the same time, strengthen its geopolitical links with Kazakhstan.

The same phenomenon of combining strategic goals with securing energy applies to Afghanistan. Besides the strategic motivation of aid provision, China has an economic interest in Afghanistan, as the country is rich in natural resources. Afghanistan’s geostrategic position could enable the transportation of Chinese goods across Central Asia, resulting in a stronger integration of its economy with those of China, Pakistan, and the Central Asian states. In 2008, a Chinese company invested a record US$3 billion in the Aynak copper mine.

In Asia, as in the other two regions discussed below, China seeks to break into new consumer markets. A road in Tajikistan was built to improve China’s access to local markets and open up new transit routes to the Middle East and Europe. This development meets with suspicion by some Central Asian government officials. Kazakh officials claim that China is extracting raw materials and flooding the local markets with cheap products, which hamper local economic development. They accuse China of not being interested in fostering local production as the Chinese see a risk that the local products could compete with cheap manufactured Chinese products. (Analysis of the implications of China’s foreign aid for aid receiving countries is provided below.)

In terms of infrastructure for transporting goods on the Eurasian continent the largest aid project is the trans-Himalayan Karakoram highway linking China and Pakistan, the highest paved international road in the world.

2. Strategic Resource Regions – Africa and Latin America

Compared to East and Central Asia, where political interest is the main motivation for foreign aid, Africa and Latin America are regions in which China is primarily engaged in order to secure strategic resources.

China’s formal historical relations with Africa began some six centuries ago with a ceremonial exchange of gifts. Chinese explorers brought shiploads of porcelains, silk and pepper to the East African coast and in return received a
However, it was not until the Cold War that China-Africa relations drew closer. The Chinese started to get more involved in Africa in the 1960s, when they supported communist political movements there under the Maoist ideological line. In the late 1970s and 1980s Beijing was not prominent in its provision of aid to Africa, partly as a result of its focus on its domestic economic reforms and development. In the beginning of the 1990’s neither the PRC government nor Chinese companies were particularly engaged in doing business in Africa, as they regarded it as the backyard of Europe. Aid donations were only given in small amounts until 1996, when Jiang Zemin, the first Chinese president to visit Africa, introduced terms of a new relationship between China and Africa: the Five Points Proposal, centering on reliable friendship, sovereign equality, non-intervention, mutually beneficial development and international cooperation. At that time China transformed its relations from pure donation to economic cooperation for mutual benefit.

Since then, Beijing has increasingly provided assistance in the form of infrastructure projects, technical and public health assistance and scholarships to enable students from the recipient countries to study in China. In 2000 the Forum on China-Africa Cooperation (FOCAC) was created in Beijing during a summit of China’s highest state authorities with leaders of 43 African countries. The FOCAC is a comprehensive effort initiated by China to build mutually beneficial economic, development, trade, and political relations with Africa rooted in principles of South-South cooperation. Today aid to Africa comprises about one-third to one-half of total Chinese aid. No other nation has made a bigger impact in Africa in the last 60 years than China has since the year 2000.

China defines its political-economic goals and relations in Africa in the January 2006 white paper, China's African Policy. This document explicitly states that China’s goal is to create “a new type of strategic partnership with Africa”, consisting of multifaceted cooperation grounded in “guiding” Chinese foreign policy principles. It also requires that the One-China principle is the “political foundation for the establishment and development of China’s relations with African countries and regional organizations”, but makes no other political demands. The overall promise of the white paper is a boost in aid and economic

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111 M. Dambisa, 2010, “Dead Aid: Why Aid is not Working and How There is a Better Way for Africa”, p.103
112 MFA, December 2006, “China’s African Policy”

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support to Africa. So far China has kept close to its announced promises and is still in the vital process of strengthening the strategic partnership with African countries. This raises the question of China’s incentives in aid provision.

It is no secret that China’s recent interest in Africa is largely driven by the objective of securing energy as well as obtaining other natural resources for its growing economy. Chinese state-owned oil companies invested heavily in partnerships with national petroleum interests in Sudan, Angola and Gabon. Indeed, Africa accounts for 30% of the Chinese oil imports. However, Europe and the US still remain the largest buyers of African petroleum. But China is not only interested in Africa’s oil.

Noticeably, China is engaged in supporting countries rich in other natural resources, such as timber in Liberia and minerals in Congo. Food security has also become an issue for China, partly due to an increase in consumption amongst urbanizing people and the simultaneous loss of vital agricultural land to industrialization. In recent years China started cooperating with the Namibian fish industry and leasing agricultural land in Zambia and Zimbabwe.

New consumer markets are another essential incentive. Basic goods manufactured in China are well suited for the African market as they are sold at very low prices and are of satisfactory quality. According to the IMF, China’s exports to Africa in 2010 amounted to US$54 billion, up from US$5.6 billion a decade ago.

However, China’s interest in Africa is not confined to commercial aspects. China also pursues political interests. These interests include regional political issues, like the isolation of Taiwan (in keeping with the One-China policy), but also an increased global influence on the international stage. Beijing clearly wants to reduce Taiwan’s influence on the African continent. Thanks to massive Chinese investments and aid provision to African countries in recent years, today only five of the 48 African states still maintain official relations with Taipei and hence do not support the One-China policy: Burkina Faso, The Gambia, Malawi, São Tomé and Principe, and Swaziland. One of the last countries to switch diplomatic relations was Malawi in 2008, after China offered aid and investment

114 T. Lum et al., 2009, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia”, p.10
worth US$6 billion in major economic sectors.\textsuperscript{118} China is not supporting any of the countries still recognizing Taiwan. Instead it directs much of its aid to countries that have long recognized Beijing, such as Sudan, Angola, Congo, Zambia and Zimbabwe.

China has an increasing desire to demonstrate its emergence as a key player on the world stage and its rise as a significant player in multilateral organizations, such as the WTO or the UN.\textsuperscript{119} China recognizes that it has to secure votes in these organizations to protect and promote its interests. As African countries have the largest single bloc of votes in multilateral settings and their interests do not clash with the Chinese, as they do with some Asian states, Beijing is eager to develop active ties with the African continent. Historically, African votes have already been crucial to Beijing’s multilateral diplomacy. Most significantly, as noted above, China gained a seat as one of the five permanent members in the UNSC in October 1971, due to immense support by the African bloc. Shortly afterwards, China extended its aid to 23 additional countries.\textsuperscript{120} Also, when it came to blocking resolutions at the UN Commission on Human Rights condemning alleged human rights abuses in China, African countries receiving China’s aid heavily backed the PRC.\textsuperscript{121} Hence, Africa forms a platform of support for China’s interests on the international stage.

A minor motive, which however should be noted at this stage, is that China is boosting its soft power by actively promoting Chinese cultural and language studies on the continent, as evident in the dozen Confucius Institutes in sub-Saharan Africa. As of 2005 some 120 schools in 16 African countries offered Chinese language courses, with over 8,000 African students learning Chinese.\textsuperscript{122}

In terms of method, China is applying several forms of aid discussed earlier in Africa in order to achieve the above-mentioned goals. Over time, the PRC has heavily invested in infrastructure projects, which constitute the major form of aid given to African countries. The best known PRC aid project in Africa is the massive Tanzania-Zambia railway (TAZARA railway). With a length of 1,860 km, including 10 km of tunnels and 300 bridges, stretching from the copper mines of Zambia through Tanzania to the Indian Ocean, it is Africa’s longest railway. This largest and most expensive aid project in Africa was started in 1970, finished in

\begin{thebibliography}{10}
\bibitem{118} T. Lum et al., 2009, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia”, p.9
\bibitem{120} D. Brautigam, 1998, “Chinese Aid and African Development: Exporting Green Revolution”, p. 37
\bibitem{122} Xinhua, June 21, 2006, “China to Open More Confucius Institutes in Africa”
\end{thebibliography}
1975, and entailed more than 15,000 employees, mostly Chinese.\textsuperscript{123} It is said to have cost US$500 million at the time.\textsuperscript{124} Surprisingly, Zhou Enlai initiated it in the midst of the Chinese Cultural Revolution. However, unsurprisingly, the project was launched shortly before China obtained a permanent seat in the UNSC. The official motivation behind this massive railway project, as stated by Beijing, was freeing Zambia from its economic dependence on Rhodesia and South Africa.\textsuperscript{125} China also benefits from the railway indirectly, as copper and other raw materials can be transported easily on the railroad, and hence be shipped at a faster rate to China.

Other major infrastructure projects in Africa include the Merowe hydro power dam in Sudan, the Cairo International Conference Centre, the building of the Ministry of Foreign Affairs in Mozambique and more than 500 other projects, amongst them a highway in Somalia, oil pipelines in Ethiopia and Sudan, railways in Nigeria, a canal in Tunisia and a stadium in Tanzania.\textsuperscript{126} Most projects served the purpose of increasing the effectiveness of transportation of goods to (and in the future also increase imports from) China. Overall, beside the TAZARA railway project, China is involved in medium and small size infrastructure projects.

China is not only interested in developing Africa’s infrastructure. In the process of fostering self-reliance (the fourth of the \textit{Eight Principles}) the Chinese government supports agricultural reforms, as agriculture is central to Africa’s development. In the last decade hybrid rice became a major product to support enhanced yields.\textsuperscript{127} Hybrid rice comprises any genealogy of rice produced by crossbreeding, resulting in a significant increase in output.\textsuperscript{128} This increased output is expected to entail a rise in African rice exports, which in turn stabilizes the economy of the recipient country. In addition, China supports training programs in technological areas such as hydro-irrigation and small-scale agricultural production involving thousands of African farmers learning from Chinese expertise.\textsuperscript{129}

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\textsuperscript{123} D. Brautigam, 1998, “Chinese Aid and African Development: Exporting Green Revolution”, p. 43
\textsuperscript{125} P. Opoku-Mensah, 2009, “China and the International Aid System: Challenges and Opportunities”, p.6
\textsuperscript{128} Food and Agriculture Organization of the United Nations, 2004, "Hybrid Rice for food Security"
\end{flushright}
Especially in Africa, debt relief is a common instrument of aid used by the Chinese government. Back in the 1970s repayments for the Tanzania-Zambia railway were suspended for ten years. Later, payments owed to China by the governments of Ghana and Nigeria were extended to a period of 20 years instead of 15. Since 2000, the level of debt cancellation increased remarkably. Between 2000 and 2009 China has canceled debts of 35 African countries amounting to RMB19 billion (~US$3 billion). In 2007, Hu Jintao cancelled a US$200 million debt for Mozambique for a new stadium and a large agricultural center. This aid method is again closely linked to political incentives, as China has only canceled debt in countries that accept Beijing and do not recognize Taipei. Burkina Faso, Sao Tome & Principe and The Gambia were not granted debt relief for loans given for earlier development projects as they switched to recognizing Taipei during the 1990s. Debt relief is also an excellent public relations tool for Beijing as it entails two positive actions: first the provision of a loan and second the relief of the debt.

Military aid is not a prominent form of Chinese assistance to African countries; yet, this form of aid deserves attention. Sudan is one of the main recipients of Chinese military support. In fact, China is Sudan’s largest arms supplier. China provided helicopters, arms and ammunition, thereby supporting the Khartoum campaign against the southern Sudanese. Here, aid provision is clearly driven by political and ideological motivations. Indeed, there is no apparent correlation between the existence of natural resources in a country and Chinese military aid to that country. For example, Angola is rich in oil reserves, but does not receive military aid from China. In turn, Tanzania receives military aid, but has few natural resources.

It is apparent that China’s foreign aid benefits developing countries, their governments, and their populations. Overall the Africans, leaders as well as the general public, have a positive attitude towards China’s engagement on their continent. Also African scholars, such as Moyo Dambisa, welcome the Chinese approach. She claims that China brings quality capital funding and jobs to Africa, which are exactly what traditional donors had promised, but have consistently failed to deliver. The President of Zambia, Levy Mwanawasa, affirms her

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132 D. Games, February 12, 2007, “Funds Alone Won’t Take Mozambique to the Next Level”, Business Day (South Africa)
135 M. Dambisa, 2010, "Dead aid: Why Aid is not Working and How There is a Better Way for Africa", p.111
statement by saying that “the Chinese government has brought a lot of development and local jobs to this country”.  

An aspect mentioned by several African leaders and ambassadors, including Julius Ole Sunkulithe, current Kenyan ambassador to Beijing, and Yoweri Kaguta Museveni, President of Uganda, is that the Chinese give Africans more respect than they get from the West. Some officials, such as the Senegalese President Abdoulaye Wade, go as far as saying that the African continent can ignore Europe and turn to China for its needs, as China “offers the same thing Europe has been offering at a better price with excellent conditions and with absence of intrusive conditionalities”. However, the fact that most African leaders welcome China’s aid and investments does not necessarily mean that the average African will benefit from China’s growing presence on the continent.

China’s involvement in Latin America is comparatively recent, and therefore lacks the deep historical ties of its relations with Central Asia and the legacy of its Cold War friendships in Africa. In fact, Taiwan was the first to establish closer links in Latin America during the 1950s. Even in the 1960s Cuba was the only Latin American country that had close relations with China, due to compatible political ideology. Up until the 1970s China developed diplomatic and economic relations only with Latin American military regimes. Between 1975 and 1990 relations between China and Latin America countries intensified. During this period, Sino-Latin American trade rose from US$476 million to US$3 billion, including trade with democratic countries. Since the 1980s, Beijing's relations with Latin America have been pragmatic and non-ideological. As in Africa, Chinese aid to the region focuses on bilateral assistance rather than through regional or multilateral institutions.

These formerly loose Sino-Latin American ties have strengthened during the past two decades. Especially since 2008 China has expanded its series of large aid and investment deals. Still, China is clearly not yet a major investor in the region. According to the NYU Wagner School research findings the combined

140 J. Kurlantzick, 2006, “China’s Latin Leap Forward”, World Policy Journal, Fall, p.34
142 J. Kurlantzick, 2006, “China’s Latin Leap Forward”, World Policy Journal, Fall, p.34
144 J. Domínguez, 2006, “China’s Relations with Latin America: Shared Gains, Asymmetric Hopes”, p.2
145 R. E. Ellis, 2009b, "Why China is Interested in Latin America", p.9
values of China’s FDI in Latin America amounted to US$16.7 billion during the years 2002-2007, which is relatively small compared to the EU (US$620 billion in 2006 alone) and the US (US$350 billion in 2006). Over two-thirds of Chinese projects concerned natural resources and about one-third was targeted to infrastructure. Humanitarian aid and technical assistance are basically non-existent.

China’s engagement in development aid and investment in Latin America is driven by two main objectives. First, China aims at outplaying Taiwan for diplomatic recognition, particularly in the Caribbean and Central America. Six of the countries that are continuing relations with Taipei are located in Central America: Panama, Nicaragua, El Salvador, Honduras, Guatemala and Belize. Nearly half of the remaining 26 are located in Latin America and Caribbean.

Second, China needs to strengthen relations with resource-rich countries in the region that could help satisfy China’s resource needs and feed its expanding economy. Compared to Africa, Latin America plays a minor role in addressing China’s energy needs. Nevertheless, China is interested in Venezuela’s oil in the Orinoco region, the world’s largest oil reserve, and has offered US$700 million in credits in 2004. In return, China receives oil and ores. Beyond energy supply, China is actively engaged in food imports from Latin America, to meet the vastly increasing consumer needs of its large population. A major proportion of food imports comes from Argentina and Brazil. The geographical location of the South American continent is not favorable for China, as most of the resource-rich countries on the continent do not have access to the Pacific Ocean. However, the President of Colombia revealed that a proposal to create a multi-billion-dollar railway linking Colombia’s Caribbean and Pacific coasts was “quite advanced”. The project rivals the 77km long Panama Canal that joins the Atlantic and Pacific Ocean and is a key conduit for international maritime trade. In February 2011, Chinese officials confirmed that China agreed to invest in the US$7.6 billion railway project, which would stretch about 220 km from North Colombia to its western Pacific Coast. The construction time frame has not yet been revealed. It is thought that the development would be used to transport coal and Chinese imports between Asia and Latin America.

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146 T. Lum et al., 2009, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia”, p.13  
147 J. Domínguez, 2006, “China’s Relations with Latin America: Shared Gains, Asymmetric Hopes”, p.2  
148 Ibid., p.18  
150 J. Domínguez, 2006, “China’s Relations with Latin America: Shared Gains, Asymmetric Hopes”, p.18  
151 T. Padgett, 2011 “China’s Proposed Colombia Railway: Challenging the Panama Canal”  
152 A. Samuel, 2011, “China in talks with Colombia to create rail rival to Panama Canal”
The establishment of new export markets for Chinese goods is also driving China’s aid engagement in Latin America. With a population of 500 million and an economy of nearly US$3 trillion, Latin America is an attractive market for Chinese products; Latin American consumers are particularly responsive to low-priced Chinese goods. For example, Brazil with its status as a large middle-income country is a potential market for Chinese products, including electronics, machinery and labor-intensive manufactured goods, such as footwear and toys.

A fourth objective that is more important in Latin America than in Africa is securing strategic alliances as part of China’s global positioning. Confucius Institutes have been established in Latin America with the goal of promoting Chinese language, culture and thinking (two Confucius Institutes in Mexico, one in Colombia, and three in Peru). Furthermore, China-oriented programs have been established throughout Latin American universities. With these projects, China aims at increasing its soft power in the region. The increasing Chinese engagement in Latin America fuels US-China rivalry in this strategic area. Chinese investment is also challenging the primacy of the US as a political, social and economic actor in the region. However, the US – still the single most dominant donor to the region – is likely to remain the primary power engaged with Latin America, at least for the coming decade.

Official reactions to Chinese engagement in Latin American states are similar to those of African leaders. Countries in which China has been investing over a longer period of time, like Chile or Brazil, favor China’s financial support. However, China’s presence in Latin America is by no means comparable to the one in Africa. Hence, reactions are not as strong as in Africa.

To conclude the regional case studies section, the PRC has made considerable progress towards achieving its foreign policy goals in Asia, Africa and Latin America, including revamping Beijing’s global image, isolating Taiwan and securing access to natural resources. China’s motivation in providing aid to East and Central Asian countries is primarily driven by the concern of regional stability and domestic security. The

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154 V. e la Siega, June 2010, “What is China’s interest in Latin America?”
156 R.E. Ellis, 2009, “Why China is Interested in Latin America”, p.9
struggle against Uyghur separatists plays a major role in China’s foreign aid policy towards the newly founded Central Asia countries. Chinese military assistance to Central Asia today is characterized by bilateral cooperation mainly oriented toward technical support and aid for military training. A second motive of aid to Central Asian states is securing access to natural resources, such as oil and gas amongst others. China is supporting construction of major pipelines, railways and roads to ensure a faster transfer of these resources to China.

Securing access to natural resources, trade and the isolation of Taiwan motivate China’s engagement in Africa and Latin America. In Africa, China is vitally engaged in trade and agricultural cooperation. Besides small and medium-sized infrastructure projects, debt cancellation is a major form of aid. Latin American countries receive massive amounts of FDI for infrastructure projects, in particular.

No doubt, China has successfully convinced most aid receiving countries that it is a benign and constructive partner, supporting the development of the aid receiving countries. Nevertheless, China’s approach to aid is not welcomed by all members of the international community. OECD members and other Western donors harshly criticize China’s involvement in the three core regions (see further below).

**Implications of China’s Foreign Aid Concept**

China challenges the traditional aid system and, in doing so, has significant impact on the global development of foreign aid and its policies – not only for donor countries, but also for recipient countries. What are the positive implications of the Chinese approach to aid and what are the core disputes? Will the approach of China’s foreign aid change in the 21st century?

As history shows, even after 60 years of engagement the assistance of wealthy Western donors under the neo-liberal policies of the Washington Consensus does not seem to effectively promote development nor significantly reduce poverty in developing countries. China’s recent development model of combining aid and economic cooperation is based on a new set of ideas, policies and practices, called the Beijing Consensus. It is important to note that a Western scholar coined this term, which thereafter drove a sustained debate in English-language journals and academic circles. Chinese policy-makers do not adopt

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158 G. Singh, 2011, “The Rights and Wrong’s of China’s Foreign Policy”

this expression, as in their view there is not one set of rules to which
development submits. They argue that the economic and political situation of
each developing country has to be taken into account and development
programs have to be tailored individually when dealing with development
assistance. But will this new approach to development push aside the
Washington Consensus? Some scholars argue that the Western development
paradigm is in decline. Indeed, Western scholars and leaders of developing
countries receiving Chinese aid regard the Beijing Consensus to development as
an attractive alternative economic development model to the neo-liberal
model. The PRC government is employing a development strategy that is
incompatible with Western policy but one that may actually produce far more
lasting results. Chinese infrastructure programs (bridges, ports, roads linking
African countries) paid for with natural resources, such as oil and minerals, is a
suitable approach for at last raising living standards sustainably in developing
countries.

However, the Beijing Consensus is far from replacing the well-known
Washington Consensus. The basic rules of the global aid system are still provided
by dominant Western donors such as the US, the EU and Japan. Further, the
volume of China’s aid is not as huge as always imagined. Traditional donors still
give up to five times more aid, for example to Africa, than China does. Compared
to China, the US, the UK, France, Germany and Japan gave between double and
five times as much aid to Africa in 2006. Here again figures might not
represent the reality, as China’s engagement in Africa goes far beyond simple
grants or loan provisions. Also, the sources of data used may not comprise all the
Chinese aid projects in Africa.

No doubt, the Chinese approach to aid increasingly impacts traditional donors.
Some say it poses a threat, especially to great powers engaged in economic
development. Others argue that China and other emerging donors “elbow aside”
established aid institutions that protect the environment, such as the World
Bank and its member governments, regional development banks and other
donor agencies. Certainly emerging donors like China create new options for

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Paradigm?”, Third World Quarterly, 30(6), p.1118
Table, 99(406), p.76
163 M. Kankwenda, 2004, “Forty Years of Development Illusions: Revisiting Development Policies
Sand Practices in Africa”
164 Y. Samy, 2010, China’s Aid Policies in Africa: Opportunities and Challenges. The Round Table,
99(406) p.82.
Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development
Assistance”, International Affairs, 84(6)
developing countries, causing them to critically assess and rethink their relations with Western aid actors. Some developing countries no longer want to submit to the requirements of international institutions. Previously, they had no option but to accept the programs of the IMF and the World Bank.

Since the entry of China as an aid donor on a larger scale, recipient countries have had the opportunity to turn down structural adjustment programs and turn to China instead. A case illustrative of this phenomenon occurred in 2007, when after long negotiations with the World Bank the Nigerian government agreed on a US$5 million project engaging private companies to improve the national railway system. Just as the deal was about to be signed, the Chinese government offered US$9 billion to rebuild the entire railway network: no bids, no conditions, and no need to reform. A similar situation occurred in Angola where the IMF was in tough negotiations with the Angolan government to ensure loans for the good of the general population. Shortly before finalizing the agreement Angola broke off, because they received a far better offer from the Exim Bank. In contrast to the IMF package, the Chinese deal did not entail conditions for economic transparency or “better governance”. Instead the Chinese offered a low interest rate of 1.5% per year for 17 years. The Angolan payment: 10,000 barrels per day of crude oil to China.

Even though China has been taking over some projects that would have gone to the IMF or the World Bank two decades ago, China is unlikely to outplay the traditional donors. But the West will have to adapt to changing rules of the game. The advice of the influential political economist Milton Friedman to the traditional donors is to apply the Chinese aid approach, in part, and encourage foreign trade instead of granting aid – for example by intertwining both approaches – if the true goal of aid is to foster economic development in the recipient country. Instead of doing so, major donors, despite WTO rules, still tend to engage in raising tariffs, indirect trade barriers and internal subsidies that restrict imports from the developing world in order to benefit their own national economy.

Having looked at the implications of China’s aid policy for donor countries, what about implications for the recipient countries? Economic growth in African and Latin American countries in the first decade of the 21st century has been unprecedented in their histories. Where does this sudden growth come from?

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167 J. Kurlantzick et al., 2006, „China’s Africa Strategy: A New Approach to Development and Diplomacy?”
History shows that economic growth seldom is initiated by self-help. Rather, external powers have had a prime share in supporting economic growth in poor countries. Western Europe after the Second World War is a prime example. Without the Marshall Plan and the related aid from the US, Europe’s recovery would not have occurred as quickly and as decisively as it did. It was the Marshall Plan that stimulated the economic – and in the end – political reconstruction of Western Europe. China as a recipient country provides another example for this argument. In the late 1970s and 1980s Japan invested massively in the recently opened Chinese economy and thus helped the world’s largest underdeveloped country to economic growth. Today, China is a rising power with a continuously growing economy. With intensified aid from and trade with China, today’s developing countries show higher economic growth rates, better terms of trade, increased export volumes and higher public revenues than ever before.\(^\text{171}\)

China invests in and aids countries that are already supported by traditional donors. In addition, China “fills a gap” by investing in countries that are avoided by other donors or multinational corporations due to feasibility problems and high risk of project failure.\(^\text{172}\) In this context China is a precursor. Once China’s aid projects have been completed successfully other states and multinational corporations invest in the respective developing country and hence carry on economic development. For example, once the Chinese aid project of building the Gabon Senate Plaza was completed, Pakistan and Turkey started to invest in Africa.\(^\text{173}\) Furthermore, other major donors, such as India, are following the Chinese path by entering into deeper engagement with Africa. Here India follows similar motives (securing resources) and applies similar methods (investing in infrastructure and agricultural expansion). Despite all the criticisms, which are addressed below, economic growth based on Chinese investment has already lifted more people out of poverty than the West’s faltering aid schemes.\(^\text{174}\)

Debates on China’s foreign aid approach are manifold. Does China care about the long-term well-being of the aid recipient countries or is Chinese foreign aid only motivated by self-interest, thus representing a threat to healthy and sustainable development? Is China a “rogue donor” supporting corrupt regimes, exploiting natural resources and in turn investing in projects in which locals work under the poorest conditions polluting the environment? For some there might be a simple answer to this question: yes. But matters are not as simple.

\(^\text{171}\) M. Glosny, 2006, “China’s Foreign Aid Policy: Lifting States out of Poverty or Leaving Them to the Dictators?”

\(^\text{172}\) T. Lum et al., 2009, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia”, p.4


The term “rogue donor”, coined by Moises Naím, is increasingly found in the context of China’s approach to aid; it describes China as an irresponsible emerging power that is non-democratic in origin and non-transparent in practice.\(^{175}\) Other scholars, traditional donors, and even some recipient countries agree with Naím and have expressed concern that political stability, good governance and accountability in recipient nations is threatened as China supports dictatorship and tyranny in rogue states that are avoided by OECD donors, such as Angola and Zimbabwe, but in particular Sudan.\(^{176}\) China was blamed for supporting the conflict in Sudan, especially during the worst of the slaughter in Darfur in 2003 and 2004 by selling Chinese arms, which were used against Darfur rebels, for oil.\(^{177}\) Chinese companies have invested more in Sudanese oil fields than the Chinese government – which in fact has provided very little development assistance to Sudan. On the positive side, Beijing played a key role in convincing the Sudanese government to allow the African Union/United Nations Hybrid peacekeeping operation into Darfur (UNAMID) in July 2007.\(^{178}\) With oil-rich South Sudan gaining its independence in 2011, China maintains friendly relations with both sides.

Besides accusing China of behaving as a “rogue donor”, Naím labels the PRC’s foreign aid policy as non-democratic. Supporters of this view maintain that by presenting an alternative political and economic model – one that leads to rapid state-sponsored economic growth under the auspices of political authoritarianism – China undermines the US agenda to advance political reform, human rights and free trade in the recipient countries.\(^{179}\) But how should China promote democracy and human rights in recipient countries, if it does not practice similar policies in its own country?

Surprisingly enough, Premier Wen Jiabao, has called publicly for democracy in Myanmar.\(^{180}\) Even though the official Chinese understanding of democracy might be different to that of the West, Premier Wen’s statement represents a departure from Beijing’s stance of not interfering in other countries’ internal affairs. Further, the cases where the promotion and, in the end, the establishment of a genuine democracy by Western donors has been successful are few. In most cases, like Iraq or some African countries, the introduction of democracy has put

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175 See M. Naím, 2007, “Rogue Aid”, Foreign Policy March/April
178 G. Bass, 2011, “Human Rights Last”, Foreign Policy March/April p. 84
the country in even more trouble. Prime Minister of Ethiopia, Meles Zenawi, credibly explains this by stating that good governance cannot be imposed from outside, but has to come from within.\(^{181}\) Furthermore, for a functioning democracy strong institutions and a strong economy are indispensable. China is definitely promoting this development in the recipient countries with its aid policies. Once the economic framework has been established political reforms might follow autonomously. Nevertheless, one could argue that China’s unwillingness to put any conditions on its development assistance could undermine years of international efforts to link aid to better governance.\(^{182}\)

Another accusation is that Chinese aid boosts corruption in developing countries. The fact that the development loans given to developing countries are entirely managed by the lender lets others assume that China is making its own deal, as no control of a third, independent party is provided. This assumption is justified, on the one hand, as China has complete power over the funding and can decide where to invest it. On the other hand, the aid money is not given to corrupt governments that put it in their own pockets, but instead is directly invested in aid projects.\(^{183}\)

The term “exploitation” has been applied by critics when referring to China’s foreign aid. This seems inappropriate. Certainly, China is extracting enormous amounts of resources from the core regions of investment. However, it is legitimately paying for the resources, mostly in form of donating infrastructure projects that create a basis for a stable economy. Any liberal economist would agree: sincere business is not exploitation.

A major debate regarding Chinese engagement in developing countries arises from the humanitarian situation under which the aid projects are carried out. Certainly Chinese labor regulations are not of the same standard as those of the West. The death of four miners in a Chinese managed mine in Zambia in 2005 is only one example illustrating the poor working conditions in Chinese development projects. While these extremes remain the exception, it has to be considered that China is applying the same low working standards as found in China itself.\(^{184}\) How can a country do better outside its borders than inside? The concept of social responsibility in this context is still new to China. In order for improved humanitarian conditions to be applied to Chinese aid projects in developing countries domestic reforms first have to be implemented. New laws regarding labor rights in China are already being put in place. Since January 2008

\(^{181}\) W. Wallis, February 6, 2007, “Ethopia Looks East to Slip Reins of Western Orthodoxy”, Financial Times


\(^{184}\) Ibid., p.300
a labor contract law is enforced giving more rights to Chinese workers.\textsuperscript{185} But even with more rights for the workers, working conditions still remain poor in most parts of China as well as in Chinese-led projects in developing countries.

China is aware of and concerned about this, but has responded only slowly. In the case of Zambia, the Chinese government has developed a surveillance system to help state-owned and local coalmines prevent and monitor gas explosions.\textsuperscript{186} In order to further improve the safety of workers a whole set of security standards would be needed. Moyo Dambisa, a Namibian economist, defends the Chinese companies by saying that the lax safety standards concerning hazardous jobs (for example, in the mining-related industries) are not only a problem for Chinese companies, but also for the African governments. They should step in and impose safety regulations on African work places.\textsuperscript{187}

Another core dispute regarding China’s foreign aid practices concerns environmental impacts. China’s aid projects are accused of polluting the environment, often substantially so. Indeed, in Indonesia the expansion of an electrical grid for building plants employed a highly polluting, coal-based Chinese technology.\textsuperscript{188} Critics claim that Chinese investors and construction companies could have used a more environmentally friendly technology. However, the costs of this project as well as the provision of this technology might not have been available at the time, and from a Chinese (and maybe also Indonesian) perspective the urgent need for a power grid seemed to outweigh the negative effects on the environment.

On the other hand, Western donors are right in claiming that lasting environmental damage for short-term economic benefit does not provide a sustainable solution for the problems of developing countries. Due to the irreversible effects on the environment it should be of interest to the whole international community (including China) to handle future infrastructure and other projects in an environmentally-friendly fashion. Even though China might not have the means to implement infrastructure projects in an environmentally responsible way, Beijing is already dealing with environmental impacts more seriously than it did a decade ago, at least on a national level. In March 2008, President Hu Jintao established a new Ministry of Environmental Protection,\textsuperscript{186} N. Woods, 2008, "Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance", International Affairs, 84(6), p.8

\textsuperscript{187} M. Dambisa, 2010, "Dead aid: Why Aid is not Working and How There is a Better Way for Africa"

reflecting the government’s growing concern about the impact of pollution, energy consumption and global warming. But it may take some time before the environmental standards of Europe today spread to China and Chinese aid projects around the globe.

China’s engagement in developing countries is sometimes referred to as a new form of colonization. While China will not conquer continents the way European colonial powers did centuries ago, African and Latin American governments do need to monitor current Chinese engagements carefully or they might find themselves dependent on China, economically and technologically. The infrastructure projects not only promote self-reliance (one of the Eight Principles) but also create dependency. Large-scale loans, even though at low interest rates, pose substantial financial burdens on recipient countries, which give Beijing a certain power over them.

In this context, China has been accused of employing its own firms and national workers as staff for running infrastructure projects instead of hiring local work forces, and that this approach has often bred resentment and negative social development. This is only partly valid. When constructing a village water system in Tanzania eight or nine locals were employed for every Chinese. In other countries, for example in Angola after the civil war, the local workforce and expertise was inadequate. Hence, China needed to supply trained workers for professional knowledge transfer, one core method of China’s foreign aid. As a result the number of Chinese workers was higher than that of locals for a certain time.

Today recipient countries still have the chance not to become dependent on China in the long term, as the donor offers professional training as well as access to infrastructure and technology. Hence, it is in the real interest of China to render the economies of recipient countries independent. However, success will depend on the extent to which developing countries can adapt Chinese practices to their own economies.

One final, crucial question has remained unanswered. Is Western aid “better” than Chinese aid? When it comes to environmental concerns, the answer might be yes; but in other respects the record of Western donors has been somewhat disappointing. The World Bank also lends to dictators without imposing any political conditions. Many think that the World Bank and the IMF demand a high standard of human rights and use conditionality to promote democracy in

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189 F. Hanson, 2008, “The Dragon Looks South”, p.17
190 Ibid., p.13
192 Ibid., p.286
recipient countries. However, the worst governed African countries, such as Sudan or Zimbabwe, failed to obtain new loans from the World Bank in recent years not because of their lack of democracy and abuse of human rights; it was because they did not repay their debt. When criticizing China’s engagement in developing countries one should ask: What would be the situation in these developing countries without Chinese aid?

What of the future? Since the 1950s China has provided bilateral foreign aid. In the early 1980s it first engaged in multilateral aid provision by joining the UN Development Program. China’s involvement in multilateral cooperation, however, has been limited, though this is changing. China open-mindedness is being demonstrated in its participation of exchanges and exploring practical cooperation with multilateral organizations, aid agencies and other countries in the field of development assistance. In 2007 China joined the International Development Association of the World Bank. Close cooperation with the African Development Bank as well as the Chinese delegation’s participation in the UN-High Level Meeting on Financing for Development, the UN-High Level Meeting on the Millennium Development Goals and the WTO Global Review on Aid are signs of China’s increased willingness to strengthen its communication with aid providers globally. In addition, the Vice Minister of Commerce, Fu Ziying, in his press conference on the release of the white paper on China’s foreign aid in April 2011, said China will “promote regional and sub-regional cooperation in foreign aid and allocate its foreign aid resources through platforms such as the China-Africa Cooperation Forum”. Not least, the white paper itself also sends the clear message to the international community that China is willing to strengthen international cooperation.

Involvement in trilateral and regional development cooperation is becoming increasingly evident. China is working together with Thailand, Laos and the Asian Development Bank to build a bridge across the Mekong River for the Kunming-Bangkok highway. Africa and Latin America are regions bearing future potential for trilateral cooperation involving China and the US as major donors and a recipient country. In terms of trilateral aid the US, the EU and Japan should engage China in a constructive partnership in order to render its aid more effective, especially concerning engagements in the core regions. One form of improved cooperation could be in regards to more environmentally

195 Xinhua, April 26, 2011, “China May Expand Its Foreign Aid in Future: Vice Minister”
197 J. Kurlantzick et al., 2006, „China’s Africa Strategy: A New Approach to Development and Diplomacy?”
friendly projects, combining Western advanced technologies and expertise with Chinese experience in foreign aid projects. Ultimately, the key to “world development” lies in cooperation between traditional and emerging donors.

Even though China is opening up towards international organizations and corporations it still avoids the OECD. Instead, China’s aid method is characterized by direct cooperation with recipient nations and speedy implementation of aid programs avoiding complex operations involving conditions. This approach is unlikely to change in the 21st century, as China will abide by its principles, reinforced by its cultural context of “Chinese characteristics”. The PRC does not want to be identified as one more member of the “rich club” of donors. Instead it wants to be regarded as a developing country that is helping friends.

Since China is looking for direct cooperation with Western donors, the organization and management of its foreign aid may have to change. As cooperation consolidates, Beijing will have to reconsider its aid management in terms of transparency; for example, by creating a separate, dedicated aid agency. Once China engages itself more in trilateral or multilateral development projects, it will have to deliver reports and other documents for quality control and knowledge distribution. A partial restructuring of the aid system is likely to develop. Indeed, China is already on a quest to find new ways to structure its aid by sending teams to the UK and Sweden for observation of their aid system. Further, in the white paper on China’s foreign aid there is a commitment to improvement:

“The Chinese government will make efforts to optimize the country's foreign aid structure, improve the quality of foreign aid, further increase recipient countries' capacity in independent development, and improve the pertinence and effectiveness of foreign aid. As an important member of the international community, China will continue to promote South-South cooperation [...] and make unremitting efforts to build, together with other countries, a prosperous and harmonious world with lasting peace.”

Hence, the volume of Chinese aid can be expected to increase in the coming decades. China’s growing need for resources and the opening of new consumer markets are two commercial interests that form China’s central motive for aid provision. Besides these, there are strategic and diplomatic objectives; primary

among them is regional security in China’s periphery. The PRC’s standing in the international community will also drive China’s foreign aid policies in the future.

**Conclusion**

The strongest motivation behind China's foreign aid policy is of an economic nature. Here securing resources, especially energy commodities such as oil and gas, is central. Securing food for the Chinese population with an increasing standard of living also plays a vital role. China’s core regions of investment for securing its resources are Africa and Latin America. In Asia securing resources is also an issue, but with lower priority. Commercial benefit comes in as a second economic motivation for China’s investment in developing countries in the form of foreign aid. China seeks to establish new consumer markets for its products which are targeted to a mass market of limited affluence and which are thus of limited quality, produced at low cost. Here the Chinese government turns its attention to the growing markets in Africa and Latin America, but also the post-Soviet Central Asian states.

China’s foreign aid is also driven by political objectives. In order to reach one of its main foreign policy goals – the creation of a stable international environment – the PRC follows several strategic diplomatic goals, above all regional security along China’s periphery as well as its domestic security. This motive is the main driver for China’s aid engagement in East and Central Asia. In East Asia the DPRK is the largest recipient of Chinese assistance, which is mainly delivered as food aid. China is strongly interested in keeping the regime of Kim-Jong-Il stable, as a collapse of the DPRK would have serious implications for the PRC’s social and economic stability, including a substantial influx of refugees from North Korea into China. Central Asian states receive military aid from China to gain regional influence as well as to suppress the Uyghur separatist supporters, who are a source of unrest in China’s Xinjiang Uyghur Autonomous Region.

Since the beginning of China’s aid to Africa and Latin America, the political motive for supporting these regions continues to be the isolation of Taiwan, and hence the recognition of the One-China policy. Beijing has been quite successful in this respect in recent years. Yet, some small African and Latin American countries continue to recognize Taipei.

China no longer wants to undermine the liberal world order as it did in the early Maoist era of foreign aid engagement. Today, China’s goal is no longer to export communism, but to build a strong network of alliances around the globe, comprising both the developed Western countries and the developing world. Foreign aid plays a crucial part in this process. Indeed, support of China by aid-receiving African and Latin American countries in international organizations,
such as the UN, is crucial for China to ensure that its interests are respected in these institutions. In the end, foreign aid policy is a tool that helps the PRC to strengthen and legitimize its new elevated position in the international community. Even if China is no longer promoting communism with its foreign aid involvement, some ideological aspects are still part of its motivation in providing aid. With its numerous Confucian Institutes around the globe China seeks to spread Chinese culture and values as part of its strategic approach to increase the country's soft power.

The Chinese approach to implementing its foreign aid is certainly different from the practices of traditional donors. Beijing offers aid and trade on the basis of flourishing growth of its own economy. Grants, interest-free loans and concessional loans are provided without imposing any political or economic conditionalities on the recipient country. Non-interference in internal state affairs, equality and mutual benefit are further key characteristics of China's development assistance. In the end, it is these characteristics that make the Chinese approach to aid attractive for recipient countries.

In addition to Chinese loans, a wide spectrum of strategic methods of aid provision, including technological and professional assistance, has been applied. Successful aid projects, such as stadiums, highways, pipelines, and power plants testify to China's commitment to developing countries and provide tangible benefit. Debt relief is another strategic instrument used by the government to achieve foreign policy goals in developing countries, especially in Africa and Latin America. Military assistance is mainly delivered to Central Asian countries in order to maintain and strengthen regional stability. African states like Sudan or Tanzania also receive military aid, but here this form of aid is not linked to the motive of regional security, but securing resources.

Under the Beijing Consensus, China not only promotes development that seems to be more efficient than measures taken under the Washington Consensus, but also provides a whole set of new tools and approaches to achieve quality of life, sustainability and self-determination. The Chinese concept of combining aid and trade seriously challenges the Washington Consensus, but at this stage there is no evidence that it is not likely to replace it. Beijing's foreign policy approach supports the idea that development assistance does not concern selfless aid, but is a form of business, for which creativity, not altruism, is the key. This concept does not suit Western donors, who harshly criticize the Chinese approach as irresponsible, non-democratic and non-transparent.

Indeed, some well-known critics, such as Naím, characterize China's foreign aid as "rogue aid". This does not do full justice to the Chinese approach. The fact that China is investing in politically unstable countries or states ruled by totalitarian
regimes, with which Western donors refuse to have dealings, does not necessarily mean that China is supporting corrupt regimes, per se. Chinese aid projects, for example in Sudan or Zimbabwe, reportedly increase economic growth and hence stabilize the economy, which is a necessary prerequisite for political stability. Once a stable economic framework as well as a functioning infrastructure system is established, political reforms are more likely to be successful.

Undoubtedly, China does not apply sustainable practices with respect to the environment in its foreign aid projects. Indeed, pollution in developing countries is a serious issue, which China needs to address as a matter of priority. However, as the People’s Republic follows the same practices domestically, reforms first have to be implemented in its own country before transferring them to foreign aid projects. The same argument applies to human rights and fit working conditions in projects abroad run by Chinese companies.

China’s long history in post-colonial Africa gives the nation credibility and legitimacy among Africans. Most government officials in Latin America also welcome the Chinese approach to foreign aid. It is only in Central Asia that leaders denounce China’s involvement in the region as they fear an increase in Beijing’s strategic influence. However, they still allow Chinese investment as they desperately need development assistance for their economic stability. A certain danger exists that recipient countries will become dependent on China but to date they still have the chance to benefit from this development. The degree of success mostly depends on the recipient states, on how they manage China’s aid, and not so much on China as a donor.

Even though China is increasingly engaged in the three discussed regions, Western donors such as the US, the EU and Japan account for far higher aid spending than China. For a truly sustainable development of poor countries – politically and economically – a closer cooperation between China and traditional donors is desirable. For this cooperation to work properly China would be forced to render its aid system more transparent. This would also need to entail a boost in transparency on the part of the recipient country by publishing the amounts of aid received. Then aid could be managed more efficiently on a global scale.

While debate continues on whether recipient countries truly benefit from the Chinese approach to foreign aid or whether this is just a means for China to increase its influence in global affairs, Chinese foreign aid has achieved some remarkable successes in various developing countries. And more are to be expected, as China – driven by its various motives – plans on further increasing its engagement in the developing world. The PRC has clearly announced its
presence as well as its commitment for cooperation in the international field of development assistance. As its long history shows, when China embarks on a grand project - from engineering feats to economic revival - it is likely to succeed.

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