China’s International Aid Policy and Its Implications for Global Governance

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中国的对外援助政策及其对全球治理的启示

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Abstract

The purpose of this paper is to describe and analyze the policies of China in the fields of development aid and their implications for global governance. The paper takes a comprehensive perspective on the various facets of such policies from the institutional arrangement, to key features of China’s aid policies in the different stages of China’s domestic reform and in the relations with recipient countries from different regions. A comparative perspective is undertaken, both vertically, through time, to have a good understanding of the evolution of China’s strategies and practices in the development aid, and horizontally, with respect to the reflections among traditional donors at the international level. The paper starts with an analysis of domestic political economy of China’s foreign aid policy with an emphasis of institutional arrangement and role of State Owned Enterprises (SOEs). It will then examine some new trends of international development policies of traditional donors and compare them with China’s strategies and practices. The authors then draw some key features of China’s aid policy by looking into its practices in three different regions (Africa, Asia and Latin America). The paper concludes with a summary and analysis of implications of China’s foreign aid policy for global governance on international development.
Introduction

Global development governance is the subject of intense debates, particularly when UN Millennium Development Goals (MDGs) remain far off track in those poorest countries by 2015. The question of aid effectiveness was raised, for with more than $2.3 trillion spent in foreign aid over the last half-century, there is no equivalent impact in reducing poverty and conflict. One of the reasons for the ineffectiveness of international development aid, as argued by scholars and donors themselves, is the lack of harmonization among donors and recipients, among governmental donors and non-governmental organizations, and among traditional donors and emerging new donors of the developing world. It is true there is no single place today where all countries can both agree on the rules, and monitor their implementation. Rather, there are several places, with different strengthen and weakness, creating overlaps and gaps. Moreover, this eclectic set of arrangements scarcely merits the term of ‘governance’, as most norms are set by a limited club-like group, and the norms are only norms, not rules.

In contrast to the WTO and trade disputes, there is no formal monitoring, penalty, or reward mechanisms in the field of international development. A weak regime for international development carries major downsides. The top five problems are: support is not predictable; some countries are chronically under-aided as the crowds focus elsewhere; fragmentation of sources and earmarks piles up transaction burden and distorts national allocation decisions; governance, human rights and the environment are challenged where corruption sprawls; economic and job opportunities are wasted due to lack of supply capacity, infrastructure and effective market access overseas.

In the last decade, Chinese aid became more visible due to the enlarging magnitude. The international community pays close attention on the way china conducts aid that differs from that of the traditional donors, or more precisely OECD Development Assistance Committee (DAC) members. Debates take place frequently on if china’s aid supports bad governance, undermines established consensus on standards and re-indebts poor countries with high volume of loans.

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1 Easterly, W., " The White Man’s Burden: Why the West's efforts to aid the rest have done so much ill and so little good". Penguin Press, New York, 2006.
Chinese aid is also accused of being driven to facilitate extraction activities of natural resources. (Lum, 5)

Adversely, Chinese aid wins applauses as it diverges the “donor-recipient” relation to horizontal partnership, which provides the parties assistance on the same level. (Glennie, Jonathan, “a new Direction”) The focus on productive sectors, instead of social sectors and poverty reduction by the traditional donors, gains prospects of serving poor countries with the process china experienced in its development. (Walz, 16)

Against this backdrop, the rising prominence of China, as a non-traditional donor from the developing world, has aroused both enthusiasm and criticism among those concerned with global governance for international development. One side contends that Chinese practices in official aid, preferential credit and other forms of development finance pose a significant challenge to the norms governing the international aid architecture. The other sees the rise of a new development partner and suggests that the Chinese might provide a miraculous alternative to African countries faced with decades of ineffective aid by traditional donors.

Despite the intense interest in the impacts that China has, and will continue to have, on norms and rules of international aid, discussions over China’s role in global governance for international development have largely taken place with very little analysis. Therefore, this paper will investigate into the three major questions: First, how does China’s domestic political economy shape its foreign aid practices? Second, at the international level, through what mechanism has China’s aid been provided and implemented? And third, what are the implications of China’s strategies and practices for the global governance for international development.

**I. Domestic Political Economy**

China’s international aid policy has evolved in a significant way in the past decades. The key principles, however, were formulated about half century ago. In 1964, the Chinese government declared “the Eight Principles for Economic Aid and Technical Assistance to Other Countries” (Annex I), the core content of which featured equality, mutual benefit and no strings attached, hence the basic principle for China's foreign aid was formulated. These principles are deeply rooted in China’s domestic political economy at that time. These principles and practices in
international aid have developed at the pace with changes of at home and at the international affairs.

In the first stage from 1950 to 1977, China carried out a headstrong communist political and economic system and was faced huge difficulties of international isolation and economic shortage. Unsurprisingly, China’s aid policy was only focused on DPRK, Vietnam and several African countries who shared the similar political stands. The aid was limited and mainly material assistance.

From 1978, China’s foreign aid policy entered the second stage, as China launched its reform and opening-up campaign. At this stage, China steadily liberalized its economic and ushered market mechanism. With a weaken ideology of planned economy and a broader economic and political exposure to the international community, China strengthened assistance to the least developed countries (LDCs) and paid more attention to economic and long term effects of aid projects. More importantly, China learnt management skills from building joint ventures with enterprises from developed countries, and applied its own experiences to its own foreign aid policies, for instance, setting up joint ventures in recipient countries and diversifying its way of providing aid.

A declaration of establishing socialist market economy in 1992 is a game changer for China’s international aid policy, stemming from drastic shift of domestic reforming from planned economy to market economy. In the People’s Congress in March 1992, China announced clearly its objective of economic reforms is to establish a socialist market economy. This was the first time for the ruling communist party firmly put aside the orthodox of planned economy. China set up its direction of using market as an efficient institution to allocate resources in the economy, instead of planning, command and control. As a way to move forward market oriented reforms, China decided to speed up its negotiation process of join the General Agreement on Tariffs and Trade (GATT) which turned out to be the World Trade Organization (WTO) in 1995. When it finally joined the WTO in 2001, China has become one of most open economy among the developing world. In the meantime, China’s aid policy also developed with two key features related to its market oriented reforms. First, China diversified the sources and means of funding and used this market-based funding to activate economic collaboration between China and recipient countries. For instance, China set up Foreign Aid Fund for Joint Ventures and
Cooperative Projects and issued low-interest loans via the Export-Import Bank of China. Second, China attached greater importance to capacity building via scaling up technical training, such as setting up Forum on China-Africa Cooperation, FOCAC. This reflects China’s own, newly gained experiences of how important the human capital and technological skills are for poor countries to catch up in the global market.

China’s aid policy enters into its fourth stage since the beginning of the new century, in particular from 2004. Having been growing with two-digit rate for over a decade, China has become the world largest exporter and second largest economy today. With the increased national economic strengths and the trends of going global of Chinese companies, China has increased financial resources for international aid, with average 29.4% annual growth. In the meantime, China started to arrange aid projects through multilateral and regional levels in addition to traditional bilateral levels.

Table 1: Stages of Chinese Aid Policy

<table>
<thead>
<tr>
<th>Period</th>
<th>Domestic political economy</th>
<th>Features of China’s Aid policy</th>
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</thead>
<tbody>
<tr>
<td>First stage</td>
<td>Headstrong communist political economic system; Own difficulties of political isolation and economic shortage;</td>
<td>Vietnam, DPRK, Africa Material assistance</td>
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<tr>
<td>(1950-1977)</td>
<td></td>
<td></td>
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<tr>
<td>Second stage</td>
<td>Reform and opening-up</td>
<td>Strengthened assistance to LDCs; Paid more attention to economic and long-term effects of aid projects; Provided aid in more diversified and flexible ways (such as managing aid projects on behalf of recipient countries, lease management and joint ventures).</td>
</tr>
<tr>
<td>(1978-1991)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third stage</td>
<td>Transition from planned economy to the socialist market economy</td>
<td>1, Diversified the sources and means of funding. (Foreign Aid Fund for Joint Ventures and Cooperative Projects; and low-interest loans via the Export-Import Bank of China). 2, Attached greater importance to capacity building via scaling up technical training. (Forum on China-Africa Cooperation,</td>
</tr>
<tr>
<td>Current stage (2004-)</td>
<td>Rapid economic growth and enhanced national economic strength</td>
<td>1, increased financial resources for international aid, with average 29.4% annual growth; 2, arranged aid projects through multilateral and regional levels in addition to traditional bilateral</td>
</tr>
</tbody>
</table>

**Institutional arrangement**

The leading ministry for China’s foreign aid is, as many have known, is the Ministry of Commerce (MOFCOM). To be more specific, it is just a Department of Foreign Aid within the MOFCOM that takes charge of it. It is very different from many developed countries who has a relatively independent agency specialized in overseas development aid.

The role of MOFCOM in China’s aid policy is not accidental, but a heritage of its history of planned economy. In the early stages of China foreign aid, China mainly provided materials and international flows of all materials were controlled from 1952 by Ministry of Foreign Trade (对外贸易部). In 1982, Ministry of Foreign Trade was merged with Ministry of Foreign Economic Liaison (对外经济联络部), the State Import and Export Regulation Commission (国家进出口管理委员会), and the State Foreign Investment Regulation Commission (国家外国投资管理委员会), and became the Ministry of Foreign Economic Relations and Trade (对外经济贸易部). In 1993, the Ministry of Foreign Economic Relations and Trade was renamed to the Ministry of Foreign Trade and Economic Co-operation (对外贸易经济合作部). In 2003, the former Ministry of Foreign Trade and Economic Co-operation (MOFTEC) went through a reorganization and was renamed Ministry of Commerce. The ministry also incorporates the former State Economic and Trade Commission (SETC) and the State Development Planning Commission (SDPC).

The initial role that MOFCOM played has systemic impacts on the development of China’s aid policy until now. On the one hand, MOFCOM becomes the most suitable agency to handle foreign aid no matter how China’s economy and international development landscapes
have changed. MOFCOM staffs in Beijing and their economic counselor offices around the world have inherited the function of bilateral consultation with recipient countries, and accumulated related knowledge and expertise. On the other hand, MOFCOM’s function has undergone tremendous changes from a super ministry that controlled all international trading through state owned trading enterprises in a planned economy, to an ordinary ministry in an ongoing market economy that regulates and promotes international trade and economic cooperation. No wonder that commerce is inevitably one of key features of China’s international aid policy. For good or bad, the market elements are part of gene of China’s foreign aid policy. 

Apart from MOFCOM, other main institutes which are involved in China’s foreign aid Ministry of Foreign Affairs, Ministry of Finance, and Export-Import Bank (Eximbank). Ministry of Transport, Ministry of Health, Ministry of Education, Ministry of Agriculture, Ministry of Culture, The State Administration of Radio Film and Telecom, Ministry of Science and Technology, and China Development Bank are also partially mandating the aid projects.3

The role of Ministry of Finance has been increasingly important. For two reasons. First is its budgeting power for total amount of international aid, although major decisions on aid budget are made by Chinese leadership through China’s legitimate body, National People’s Congress. Second, China has recently increased its participation in multilateral aid which is the responsibility of the Ministry of Finance as it is in many other aid-giving governments. But managing Chinese bilateral aid still rests primarily with MOFCOM.

What is division of labor among these ministries in formulating and implementing an aid project a real world? As Lancaster’s study shows, the first step is that recipient governments and Chinese embassies in the field often propose aid projects to the Chinese for funding—much like the “request-based” aid programs.4 (Then, officials from MOFCOM, or related Ministries (for instance, Ministry of Agriculture for requests related to agricultural projects), or Chinese firms undertake feasibility studies of project proposals. The Chinese Export Import Bank often finances the project and it is typically implemented by Chinese State Owned Enterprises (SOEs).5

4 The Chinese Aid System by Carol Lancaster for Center for Global Development (2007 June)
5 The Tenuous Hold of China Inc. in Africa by Bates Gill and James Reilly for The Washington Quarterly (2007)
The aid projects were planned and managed by China Communist Party and State Council which all of the assistant agencies directly report to. However, this system becomes problematic when the aid areas expanded over time. Since recent years, China developed a new approach for its foreign aid. Currently, according to the white paper, MOFCOM is believed playing the key role in formulation of foreign aid policies, regulations, overall and annual plans, examination and approval of foreign aid projects and management of the project execution. The Executive Bureau of International Economic Cooperation, China International Center for Economic and Technical Exchanges, and Academy of International Business Officials affiliated to the Ministry of Commerce are entrusted with tasks of managing the implementation of complete projects and technical cooperation projects, material aid projects and training programs connected with China's foreign aid. The Export-Import Bank of China is responsible for the assessment of projects with concessional loans, and the allocation and recovery of loans. Chinese embassies or consulates abroad are in charge of the direct coordination and management of foreign aid projects in the relevant countries. The local commercial administration departments are required to cooperate with the Ministry of Commerce to deal with affairs related to foreign aid within its jurisdiction. In providing foreign aid, the related departments of the Chinese government keep in close contact and cooperate with each other. In drafting foreign aid programs and foreign aid funds plans for each country, the Ministry of Commerce communicates regularly with the Ministry of Foreign Affairs, Ministry of Finance and the Export-Import Bank of China to seek their suggestions. Some other departments of the State Council are responsible for or participate in the management of foreign aid programs that require better professional expertise.

In order to strengthen the coordination of the departments concerned, the ministries of commerce, foreign affairs and finance officially established the country's foreign aid inter-agency liaison mechanism in 2008. In February 2011, this liaison mechanism was upgraded into an inter-agency coordination mechanism.

Role of state-owned enterprises

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6 中国对外援助: 成就、教训和良性发展, by 杨鸿玺 陈开明, for 国际展望 (2010)
Officially, SOEs are not part of the aid policy formulation process, but are believed to play an important role in recent years. According to the interviews we did with senior managers of selected SOEs who are involved in China’s foreign aid, SOEs’ intervention are made at three different stages: help recipient countries to prepare aid requests, conduct preliminary project assessment, and implement aid projects.

SOEs involvement in foreign aid is, firstly, driven by their interests in raw materials, such as oil, gas, minerals and timber, necessary to fuel its incredible growth machine. China’s new needs already have serious implication for its foreign policy. Beijing has been encouraging the state-owned companies to secure exploration and supply agreements with states that produce oil, gas, and other recourses. Meanwhile, it has been aggressively building goodwill by strengthening bilateral trade relations, awarding aid, forgiving national debts, and helping building infrastructures. In return, China has won access to key recourses.

The second driving force is that SOEs are looking for new markets and new destinations to expand their overseas investment. As guiding vehicles in developing countries, Chinese SOEs’ have been actively involved in labor-intensive, manufacturing, such as household appliances, textile and apparel, toys, as well as infrastructure construction in least developing countries. To maintain the security of the delivering channels for exportation, China’s SOEs have aggressively invested in transportations areas like railways, toll highway, and harbors of recipients.

A study done by Centre for Chinese Studies in South Africa shows that Chinese government backs up for its SOEs with preferential treatment through setting specific regulation of foreign trade and providing low-interest loans. PRC government gains influential power in recipient countries gradually while its SOEs take great parts in the fields like construction, transportation, heavy industries, and some other areas of recipients. In the same token, those

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8 The Chinese Aid System by Carol Lancaster for Center for Global Development (2007 June)
9 China’s Global Hunt for Energy by David Zweig and Bi Jianhai for Foreign Affairs (2005 September/October)
10 Responsible Business in Africa: Chinese Business Leaders’ Perspectives on Performance and Enhancement Opportunities by Simon Zadek, Chen Xiaohong, Li Zhaoxi, Jia Tao, Zhou Yan, Kelly Yu, Maya Forstater, Guy Morgan John Kennedy School of Government (2009, November)
11 China’s Interest and Activity in Africa’s Construction and Infrastructure Sectors by Centre for Chinese Studies Stellenbosch University (2006 November)
SOEs would affect China’s foreign policies by some level since those SOEs are viewed as the pioneer overseas which could see the whole appearance of foreign works.

As we were told by the interviewees, China’s SOEs would report their experiences and enquiries to officials, and provide some suggestions to relevant agencies to shape beneficial policies for them so that China’s SOEs could own competitive advantages than others.

Some SOEs like China ExIm Bank have been worked closely with to MOFCOM and its offices in recipient countries. So they can help recipient countries make aid requests. Since they are also familiar with recipient countries’ situation, they are often asked to conduct feasibility assessment. China Development Bank is now working on development strategies of selected African countries, which will then be translated into both aid requests and commercial projects that will be financed by the Bank.

II. New development of Western Donors

What are the Western efforts on improving the global governance for international development aid? Does China override those efforts?

According to the Washington Consensus\textsuperscript{12}, the western financial donation has always accompany with the request that recipient countries have to comply with the principles which force them to reform or to improve the internal governance such as fiscal discipline, public expenditure priorities, interest rate liberalization…

Western countries are believed to take advantages of their overseas aid in goodwill to push those developing countries to liberalize or to reform their institutional system. Western donors view Washington Consensus as a manner to reach the objective of reducing poverty in recipient countries, however, decades of controversy over the Washington Consensus have raised many doubts about whether the economic conditions that often accompany aid always good for development\textsuperscript{13}. Nowadays, some of those least developing countries begin to turn to China for “unconditional” assistance and it becomes a key competitor for Western countries in recent years.

\textsuperscript{12} http://www.cid.harvard.edu/cidtrade/issues/washington.html

\textsuperscript{13} Dragon’s Gift by Deborah Brautigam (2009)
We will try to analyze a few main objectives of Western aid program as follows, and see if China overrides the Western efforts.

**Humanitarian Concerns**

Humanitarian concerns drive both short-term assistance in response to crisis and disaster as well as long-term development assistance aimed at reducing poverty, hunger, and other forms of human suffering brought on by more systemic problems. Providing assistance for humanitarian reasons has generally been the least contested purpose of aid by the American public and policymakers alike\(^{14}\). However, according to the studies of Global Public Policy Institute, China is believed to prevent itself from integrating into the multilateral humanitarian aid system. In the past, China’s international humanitarian assistance mainly followed the noncommittal stance that China characteristically displayed with regards to most areas of multilateral collaboration. China’s monetary contributions to humanitarian assistance were low in absolute, as well as relative, terms compared to its overall gross domestic product. More importantly, the country typically granted selective and targeted contributions directly to a small circle of recipients, bypassing multilateral mechanisms. This circle mainly consisted of strategic allies like North Korea or crucial suppliers of natural resources like Sudan. That is, in clear breach of the humanitarian principle of impartiality, virtually all of China’s humanitarian contributions served a narrow foreign policy objective with humanitarian considerations taking a subordinate position\(^{15}\).

In recent years, China is gradually adapting itself to international mechanism, for instance, during the Indian Ocean tsunami, China’s assistance efforts were of an unprecedented size, placing it first amongst developing nations. Except for its quantitative increase of financial donation, for the first time, China channeled humanitarian donations through multilateral mechanisms, mainly UN agencies. It’s a slight sign that China is gradually fitting into the international aid system, and emphasizing more on the humanitarian assistance.

\(^{14}\) Foreign Aid: An Introduction to U.S. Programs and Policy by Curt Tarnoff and Marian Leonardo Lawson for Congressional Research Service (CRS) (2011 February)

\(^{15}\) China’s Potential Role in Humanitarian Assistance by Andrea Binder and Björn Conrad for GPPI (2009)
Untied aid

In China, nearly all their procurement of projects financed through grants and zero-interest loan are from the list of approved Chinese firms\textsuperscript{16}, whereas recipients of China’s concessional loan are requested to source at least half of procurement from Chinese firms. Whereas the OECD Development Assistance Committee (DAC) high level meeting in April 2001 adopted a Recommendation on untying aid to the least developed countries\textsuperscript{17}. OECD view untying aid as a more efficient way to deliver aid assistance, and to reduce the administrative burden for both donors and recipients. However, to say that China is the only country largely counting on the tied aid is not so fair. As 2001, according to the figures published by DAC of OECD, Italy’s official development aid was 92 percent tied, and Canada’s, 68 percent\textsuperscript{18}. Not to mention that the U.S. assistant aid has created enormous demand for U.S. products and services.

Education (Capacity Building)

The World Bank supports a wide range of capacity building interventions through its country lending and non-lending programs and dedicated corporate and Regional entities. Between 1995 and 2004, the Bank provided some $9 billion in lending and close to $900 million in grants and administrative budget to support capacity building in Africa. The bulk of this support has been directed toward the public sector.

The Bank’s traditional efforts in building public sector capacity focused primarily on creating or reorganizing government units and building individual skills. Aware of the limited impact of its support in the face of countries’ still-weak public sector capacity, the Bank has progressively changed its approach over the past 10 years, such as broadening its support to include the strengthening of public institutions and the fostering of demand for public service improvements, adding new diagnostic tools to assess countries’ capacities to manage their public financial resources and has increased the range of lending instruments for delivering its capacity

\textsuperscript{16} U.S. and Chinese efforts in Africa in global health and foreign aid by Deborah Brautigam for CSIS (2011 November)
\textsuperscript{17} Untying Aid to the Least Developed Countries, OECD (2011)
\textsuperscript{18} Dragon’s Gift by Deborah Brautigam (2009)
building support to increase country ownership of these activities, and also expanding corporate and Regional programs directly supportive of capacity building\(^\text{19}\).

In comparison, China runs different kinds of research and training programs for government officials, education programs, technical training programs, and other personnel exchange programs for developing countries to build up capacities. At present, roughly 10,000 people from developing countries receive training in China every year. Moreover, China has trained a large number of managerial and technical personnel for recipient countries by means of technical cooperation and other ways\(^\text{20}\).

Although World Bank and China make many efforts on building the capacity of local people, this aid project is still fulfilled with challenges. China is unlikely to align their aid with aid from the other donors, or to join efforts at aid harmonization, particularly, it seems, if led by World Bank\(^\text{21}\).

**Governance and Democracy**

Indicated on the website of USAID, which is the primary aid institute of United States, one of the main objectives of USA’s overseas aid is to help developing countries reform their governing system democratically since Marshall Plan was mandated successfully in European Continent after World War II\(^\text{22}\).

Even though democracy aid remains extremely small in comparison with USAID’s total overseas development assistance to Africa, it plays a much more direct role with respect to vertical and horizontal accountability. By supporting independent media outlets, augmenting the capacities of civil society, reinforcing electoral commissions, and strengthening legislatures and judiciaries, democracy aid aims to reinforce relationships of responsibility between citizens and their governments as well as between different government institutions. Without this aid, many of the key institutions and actors important for consolidation would be much weaker\(^\text{23}\).
However, to abide by the eight principles of foreign aid announced by Zhou Enlai at a 1964 people's congress in Somalia, China is reluctant to intervene the internal affairs of recipients, or to impose any political conditions\textsuperscript{24}. As a rising power in the world, China is criticized by being aside from taking the responsibilities of improving political systems. Moreover, the consistent donation from China is granted as a supportive power to those corruptive and autocratic countries, which will definitely undermine the political reform of recipients.

To sum up, according to China’s white paper indicating some key features of its aid policy and purposes, PRC government is seeking for the approaches to build up the self-development of the recipients without imposing any political conditions. Adhering to equality, mutual benefits, and common development while summarizing experiences, makes innovations in the field of foreign aid, and promptly adjusts and reforms the management mechanism, so as to constantly improve its foreign aid work.

There is no "one-size-fits-all" approach in the world for helping least developed countries; China is aiming at creating a “China-style” manner for foreign aid to adapt to its own internal conditions. Though there is still long way ahead, China is trying hard to catch up the Western by its new approach.

\textbf{III. Regional variations of China’s Aid}

According to Chinese government (Write paper), aid projects are funded with Grants, interest-free loans and concessional loans, in forms of complete project, i.e. turnkey projects, goods and materials, technical cooperation, human resource development cooperation, Chinese medical team working abroad, Overseas Volunteer Programs, and Debt relief. Three highlighted regions receiving the bulk of Chinese aid are Africa (46%), Asia (33%) and Latin America (13%).

Comparing Chinese Aid in different Areas, mainly in Africa, Southeast Asia and Latin America, how do we understand the systematic variation in Chinese aid practices, and the respective mechanisms?

\textsuperscript{24} White paper: China’s foreign aid, by Ministry of Commerce, PRC (2010)
Table 2: Composition of Chinese Aid

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Categories</th>
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<tbody>
<tr>
<td>Financial Resources for Foreign Aid</td>
<td>Grant</td>
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<tr>
<td></td>
<td>Interest-free loans</td>
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<tr>
<td></td>
<td>Concessional loans</td>
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<tr>
<td>Forms of Foreign Aid</td>
<td>Complete projects</td>
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<tr>
<td></td>
<td>Goods and Materials</td>
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<td></td>
<td>Technical Cooperation</td>
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<td></td>
<td>Human Resource Development Cooperation</td>
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<td></td>
<td>Chinese Medical Teams Working Abroad</td>
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<td></td>
<td>Emergency Humanitarian Aid</td>
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<td></td>
<td>Overseas Volunteer Programs</td>
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<td></td>
<td>Debt Relief</td>
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<tr>
<td>Distribution of Foreign Aid</td>
<td>Agriculture</td>
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<td></td>
<td>Industry</td>
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<td></td>
<td>Economic Infrastructure</td>
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<td></td>
<td>Public Facilities</td>
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<td></td>
<td>Education</td>
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<td></td>
<td>Medicine and Public Health</td>
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<tr>
<td></td>
<td>Clean Energy and Coping with Climate Change</td>
</tr>
</tbody>
</table>

Source: *China’s Foreign Aid*, Xinhua

**Chinese aid to Africa**

Foreign aid to Africa counts for nearly half of China’s foreign aid, according to China’s *Foreign Aid* white paper, based on the disbursement of 2009. Chinese aid to Africa formally started since 1955, following the Bandung Conference. It grew steadily and reached the peak between 1973 and 1979, accounting for 6.92 percent of fiscal revenue annually (Cheru, 55). The aid delivered infrastructure projects, public works, technical and public health assistance, and scholarships to study in China. The political returns were fruitful: Most African countries shifted diplomatic relations with China, instead of Taiwan and the P.R.C replaced ROC (Taiwan) in the United Nations in representation of China.

Since 1978 new Chinese leadership initiating “opening-up” policy and introduction of market economy, aid institutions and policies were since under reform. The decision –makers
realized that China’s aid should not exceed its capability and in the meanwhile maximize the efforts (Cheru, 56). The State Council of China announced 2 policies in the working conference on foreign aid in 1995. The state would encourage more qualified Chinese corporations to participate in overseas economic cooperation and technical assistance projects. Secondly, the interest-free loans and subsidized export credits would play a role of aid to Africa as well as to promote Chinese trade and investment (Cheru, 58). In late the year, Chinese high officials visited thirteen African countries to explain China’s new aid policy. In 2000, the first Forum of China-Africa Cooperation (FOCAC), held in Beijing, revealed Beijing’s strategic engagement of Sino-African relation. China confirmed willingness to relief African countries’ debt, promote investment, and assist in human resources. The FOCAC summit held in Beijing in 2006, gathered foreign ministers from forty-eight African countries out of fifty-three, announced further commitment to development of Africa.

The estimated sum of China’s Africa aid, consisting of Ministry of Finance’s aid budget, concessional loans from the Export-Import Bank of China and debt relief, grew to $2.4 billion in 2009. The aid is delivered with, most significantly, physical infrastructures in various sectors, as well as other forms such as technical cooperation in agricultural, human resource assistance, debt relief and medical teams.

**Physical infrastructure**

High profile public works realized by china’s aid are noticeable presence of China’s engagement. The newly- inaugurated African Union Headquarters in Addis Ababa is an explicit case. Critiques arouse as such aid earns instant favor from Africans rather than promoting long-term development. China’s aid also supported a sum of infrastructures in different sectors, especially, in power, transport and water.

It is worth noting that Chinese aid for projects, either grants or concessional loans, often compose only part of the total finance, though the distinctive credit lines may issues by the same credit, mostly the Eximbank. For instance, Ghana’s Bui hydropower project budgeted at $ 562 million, of which $270 million were concessional loan at an interest rate of 2 percent, and the

25 Dragon’s gift
27 Elling 10
remaining part, backed with the nation’s cocoa revenue, were export buyer’s credit at a commercial rate.\textsuperscript{28} Such mixed loan, structured with concessional loans or grants and commercial loans secured by communities, is readily preferred by China and referred to by its diplomats as the “Angola Model”.\textsuperscript{29}

\textbf{Technical assistance}

China assists on Africa agriculture with its expertise of agricultural technology, setting up demonstration centers and training the countries’ own technicians. Increasing output of grain, cash crops and providing raw materials for light industry are underscored by Chinese agricultural assistance. Guinea- Bissau built 11 demonstration areas for paddy rice of 2,000 hectares under support from Chinese experts.\textsuperscript{30}

Agricultural projects aided by China have promoted agricultural development in recipient countries, increased their output of grain and cash crops, and provided raw materials for the development of their light industry. Chinese president Hu pledged “setting up 10 special agricultural technology demonstration centers in Africa” in the FOCAC 2006.\textsuperscript{31} Such demonstration centers are introduced to fourteen African countries, among which three importing rice heavily, namely Mozambique, Liberia and Senegal, expecting the perspective on food security. Three principles carry on with these demonstration centers: (a) to attract interest and demonstrate the new technologies; (b) to train local farmers; and (c) to be sustainable. The operation body of each demonstration center is chosen by the Chinese Ministries of Commerce and Agriculture. The fourteen Chinese implementers, 12 companies assigned by their agriculturally strong province and 2 central agricultural scientific research institutes and enterprises, run the project for 3 to 8 years with support from Chinese government before turning to a commercial, sustainable and mutually beneficial operation.\textsuperscript{32} To date, five more countries- Malawi, Angola, DR Congo, Mali, Mauritania- signed up to host Chinese agricultural demonstration centers, with planned inauguration in 2012.\textsuperscript{33}

\begin{itemize}
  \item \textsuperscript{28} Deborah 174
  \item \textsuperscript{29} Martyn 54
  \item \textsuperscript{30} White paper
  \item \textsuperscript{31} \url{http://www.focac.org/eng/ltda/dsebjhy/SP32009/t606840.htm}
  \item \textsuperscript{32} China’s Engagement in African Agriculture: “Down to the Countryside”, 701
  \item \textsuperscript{33} \url{http://news.sohu.com/20120125/n332959166.shtml}
\end{itemize}
Table 3: Fourteen Agricultural Technology Demonstration Centers in Africa, 2006–2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Implementing province/organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>Hubei/Lianfeng Overseas Agricultural Development Co.</td>
</tr>
<tr>
<td>Sudan</td>
<td>Shangdong/Academy of Agricultural Science</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Chongqing/Agricultural Tech Co.</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Guangxi/Bagui Agricultural Tech Co.</td>
</tr>
<tr>
<td>Cameroon</td>
<td>Shaanxi/Nongken Agricultural Co.</td>
</tr>
<tr>
<td>Togo</td>
<td>Jiangxi/Huachang Infrastructure Construction Co.</td>
</tr>
<tr>
<td>Zambia</td>
<td>Jilin/Agricultural University</td>
</tr>
<tr>
<td>Liberia</td>
<td>Hunan/Yuan Longping High-Tech Co.</td>
</tr>
<tr>
<td>Benin</td>
<td>China National Agricultural Development Corporation</td>
</tr>
<tr>
<td>South Africa</td>
<td>China National Agricultural Development Corporation</td>
</tr>
<tr>
<td>Uganda</td>
<td>Sichuan/Huaqiao Fenghuang Group (Fisheries)</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Fujian/Agriculture and Forestry University</td>
</tr>
<tr>
<td>Congo (Brazzaville)</td>
<td>Academy of Tropical Agricultural Tech.</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Institute of China Agricultural Mechanization</td>
</tr>
</tbody>
</table>

Source: Brautigam et al., *China’s Engagement in African Agriculture: “Down to the Countryside”*

Technical assistance operates also in sector other than agriculture. The China-funded Ethio-China Plytechnic College, inaugurated in 2009, is devoted to train 3000 youths on mechanics, electrics, automotive engineering and 4 other majors. 34 The Uganda Industrial Research Institute located at Nakawa and set up in 2001 is another case aiming to push forward the country’s industrial technologies by producing light industrial technicians.

Debt relief

China announced debt relief towards African countries in 6 occasions: in three FOCAC Conferences in 2000, 2006 and 2009, and in three UN High-Level Meetings in 2005, 2008 and 2010. By then end of 2009, the write-offs totaled RMB18.96 Billion (appr. $2.8bn). 35 The list

35 http://allafrica.com/stories/201003020722.html
35 white paper.
covers 31 countries on the continent, including both those of Heavily Indebted Poor Countries (HIPC) and some others. Similar to its loans or grants, China’s debt relief is not attached with conditions on promoting good governance or the use of fighting poverty. In practice, the announcements often subject to broad spectrum of countries but limited amounts by employing criteria such as “all the overdue parts as of the end of 2004 of the interest-free and low interest governmental loans owed by all the HIPCs having diplomatic relations with China”, as the pledge in the High-level Meeting on Financing for Development in 2005. The write-offs have mostly applied to interest free loans rather than concessional loans. This may be associated with the selection policy of aid delivery, while assessing the projects’ nature on economic profits and social returns.

Health assistance

China’s engagement on health in Africa starts with its medical team deployed in Algeria, in 1962. In the following decades, 45 African countries have received assisting medical personnel from China. Chinese medical teams involving 16 thousand medical workers provided medical care to 240 million person-times. The teams offer a range of medical specialties in, for instance, orthopedics, epidemiology, surgery, ophthalmology, water chemistry and bacteriology, in addition to traditional Chinese medicine. They carry on the work in remote rural areas, as well as provide cares to the high-level politicians. Reportedly, these efforts are sometimes associated with a particular investment or a Chinese official’s political commitment to a local African leader.

Recently, China initiated new forms of assistance on public health. In the 2006 the Fourth FOCAC, Chinese officials pledged to provide anti-malarial medicine and prevention center. In the next FOCAC 3 years later, China made further promise to provide the hospital and anti-malarial centers medical equipments and medications as well as training of 3000 African doctors and nurses. Besides these efforts, new actors step in to deliver medical care. For instance, since

36 martyn
37 A Proper Understanding of Debt Sustainability of Developing Countries. 70, 《World Economics and Politics》 2007-04
38 医疗队 29
39 http://www.mckinseyquarterly.com/Making_the_most_of_Chinese_aid_to_Africa_2609
40 全球卫生 6
2010, a hospital from Beijing, financially supported by private sector, organized the “Bring Brightness to Africa initiative”, which brought cataract extraction surgery into Zimbabwe, Malawi and Mozambique.\(^{41}\)

**Multilateral Aid**

Yet being a net recipient from the World Bank, China is not likely to be a significant contributor to the International Development Association (IDA) Credits, though it was reported that China moved preliminary steps.\(^{42}\) The more prominent multilateral effort is China’s South-South Cooperation program, joint with the UN Food and Agriculture Organization (FAO). China began tripartite cooperation with FAO since 1996. The South-South program matches up China and other developing countries on food security with funds from all three parties. By far 90% of the total 806 Chinese agricultural experts and technicians are posted in seven African countries: Ethiopia, Ghana, Mali, Nigeria, Sierra Leone and Gabon.\(^ {43}\) Another program on South-South Cooperation promoting technical cooperation is co-organized by United Nations Development Program (UNDP) and the International Poverty Reduction Center in China (IPRCC). This partnership establishes a China-Africa Window within IPRCC, complementing IPRCC’s work to offer customized training to African countries.

China committed the partnership with African Union’s New Partnership for Africa’s Development (AU/NEPAD), writing down on the *Addis Ababa Action Plan*, the *Beijing Action Plan* and the *Sharm el Sheikh Action Plan* during the second, third and fourth FOCAC.\(^ {44}\) It primarily focuses on NEPAD’s economic development program, especially infrastructure, and to some extent on NEPAD’s social programs.\(^ {45}\)

**Other cooperation**

Chinese aid is linked to trade and investment closely. Resource-rich countries of Angola, Sudan, Nigeria, D.R.Congo, Zambia, reportedly, witness bulk of Chinese aid. However, some

\(^{44}\) [http://www.focac.org/eng/ltda/dsjbjhy/hywj/626387.htm](http://www.focac.org/eng/ltda/dsjbjhy/hywj/626387.htm)
\(^{45}\) Elling, 21
Chinese officials suggested that African countries are prioritized according to their needs. To serve the “mutual interests” promote “going global” strategy, several paradigms of Chino-African cooperation functions to facilitating investment. Intertwining with economic activities, the distinctive features contribute to the ambiguity of being considered as aid.

The plan of Special Economic Zones (SEZs) enacted under the Beijing Action Plan, from FOCAC 2006, started its first move in Zambian and Mauritius. The Zambian Special Economic Zones, seated at the commodity rich Chambishi, is set to be strategic mining hub by drawing participation of large Chinese firms. The other in Mauritius is entrenched to attract private firms in manufacturing. Both zones require large amounts of investment in infrastructure, within the zones and linking them to the port or regional markets. Reportedly, the China Exim Bank offered concessional loans for construction, which were carried out by Chinese companies.

The $5 billion China-Africa Development Fund (CADF), announced at the 2006 FOCAC Summit, is another Chinese initiative seeking to offer favorable incentives for Chinese or joint business and reduce investment risk on the continent. The fund analyses proposed projects from each branch and recommend the most promising ones to fund managers. The fund’s shares are normally between $5 million and $50 million, not exceeding 40 percent of enterprises’ total equity. It admits the potential to realize significant gains while primarily to advance development in Africa. By far, the fund committed investment of $1.3 billion in 40 projects in Building Materials, Household appliances, agriculture, mining and infrastructure.

Similar to the European Union's Everything but Arms (EBA) Initiative and the United States' African Growth and Opportunity Act (AGOA), two initiatives providing duty-free quota-free access to the European and US to goods from poor countries, China enacts its tariff exemption to those of least-developed countries holding diplomatic ties. To date, twenty six African countries enjoy China’s tariff exemption, following by five Asian LDCs. In more sophisticated economy such as South Africa, China imposes itself voluntary export quota to

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46 Martyn 6
47 Robert 144
48 Martyn 26
49 [http://www.21cbh.com/HTML/2010-6-14/4MMDAwMDE4MjA4MQ.html](http://www.21cbh.com/HTML/2010-6-14/4MMDAwMDE4MjA4MQ.html)
51 [http://www.customs.gov.cn/publish/portal0/tab399/info230847.htm](http://www.customs.gov.cn/publish/portal0/tab399/info230847.htm)
respond the deep concern on cheap Chinese good. It provides fund to South African government in order to make good preparation of the open textile market after the export quota expires. 52

**Chinese aid to Southeast Asia and Latin America**

China allocated one-third of its aid in Asia in 2009. It has prominent presence in Southeast Asia while considered an important source of infrastructure financing in this region, in both bilateral and regional multilateral manner. Aid is carried out more diversely in order for human and social development. The efforts include counter-trafficking in persons and counter-narcotics with the five Mekong valley countries, oversea young volunteer program in Laos, facilitating election and historical preservation in Cambodia. 53

In the last two decades, China’s bilateral trade with Association of Southeast Asian Nations (ASEAN) expanded thirty-seven folds. It is not difficult to understand China’s interests in regional integration. Following inauguration of ASEAN–China Free Trade Area (ACFTA) in the beginning of 2010, the Master Plan on ASEAN Connectivity was published in October the same year, which including a list of prioritized projects to promote economic growth, narrow development gaps, ASEAN integration and Community building process. China showed clear aspiration of cooperation and support. By 2012, Chinese pledge on credit supporting ASEAN’s Master Plan totaled $25 billion, of which $10.7 billion was concessional, underscoring project of highways, railroads, waterways, energy resource pipeline, telecommunication and power grid. 54 The ASEAN-Mekong Basin Development Cooperation (AMBDC) framework attracts China to assist its neighboring countries: Laos, Myanmar and northern Vietnam. 55

As a member itself, China participates actively the Asia Development Bank’s (ADB) the Greater Mekong Sub-region (GMS) program, 56 a development scheme encompassing Vietnam, Laos, Myanmar, Thailand and Yunan Province of Southwest China. The partnership with ADB

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52 [http://www.royalafricansociety.org/component/content/article/701.html](http://www.royalafricansociety.org/component/content/article/701.html)
53 [CRS 16](http://news.cnwes.com/Content/20120130/KFI265QODJYSU.shtml?c=detail)
54 [http://www.ide.go.jp/English/Publish/Download/Brc/pdf/01_overview.pdf](http://www.ide.go.jp/English/Publish/Download/Brc/pdf/01_overview.pdf)
covers infrastructure development programs, tariff reduction, social development and human resource development.\(^{57}\)

China placed 13 percent of its foreign aid in Latin American the Caribbean in 2009.\(^{58}\) Reportedly, more than two-thirds of aid in the region was channeled to natural resource sectors between 2002-2007, while 28 percent were related to infrastructure and public works. In 2009, China lent Brazil $10 billion in exchange for future oil shipments. In 2010, China advanced $20 billion to Venezuela to pump oil from the Orinoco Belt block. Last year China lent $10 billion to Argentina to renovate its aging railway system. Smaller loans have gone to other countries.\(^{59}\)

**Table 4: Chinese aid to different regions**

<table>
<thead>
<tr>
<th>Region</th>
<th>Africa</th>
<th>Asia</th>
<th>Latin America (inc. the Caribbean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual expense of 2009</td>
<td>1.5 billion- 25 billion (walz, 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of aid in 2009</td>
<td>46%</td>
<td>32.8%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Agricultural assistance</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Young volunteers</td>
<td>Yes</td>
<td>Yes</td>
<td>yes</td>
</tr>
<tr>
<td>Countries granted Zero-tariff</td>
<td>26</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Debt relief</td>
<td>About 50% (brautigam)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Dispatched medical Teams</td>
<td>45</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Mechanism</td>
<td>- FOCA</td>
<td>- ADB</td>
<td>- IDB</td>
</tr>
<tr>
<td></td>
<td>- FAO/ WB</td>
<td>- GMS/ ADB</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- AU/ NEPAD (elling, 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- bilateral</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *China’s Aid Policy*, Xinhua

Diplomatically isolating the ROC (Taiwan) is an important incentive of China’s aid, as by far yet 12 countries remain diplomatic relationship with ROC instead of PRC.\(^{60}\) In 2009, China joins works with the Inter-American Development Bank (IDB), committing $350

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\(^{57}\) [http://www.ide.go.jp/English/Publish/Download/Brc/pdf/01_chinaseconomic.pdf](http://www.ide.go.jp/English/Publish/Download/Brc/pdf/01_chinaseconomic.pdf), 92

\(^{58}\) [http://www.atimes.com/atimes/China/MD21Ad01.html](http://www.atimes.com/atimes/China/MD21Ad01.html)

\(^{59}\) [http://www.atimes.com/atimes/China/MD21Ad01.html](http://www.atimes.com/atimes/China/MD21Ad01.html)

\(^{60}\) [http://www.thedialogue.org/PublicationFiles/Erikson-Chen-1%20(2).pdf](http://www.thedialogue.org/PublicationFiles/Erikson-Chen-1%20(2).pdf)
In late March 2011, the IDB and the Export-Import Bank of China signed a letter of intent to establish an infrastructure investment mechanism to finance public and private sector projects in Latin America.

IV. Does China’s aid make a real difference to development in recipient countries?

Chinese Aid delivered tangible project in agriculture, industry, economic infrastructure, public facilities, education, and medical and health care. Improving recipient countries' industrial and agricultural productivity, laying foundations for the economic and social development, and improving basic education and health care are the focuses of China’s engagement.  

Poor infrastructure has been an impediment to economic development in many poor countries. The growth is constraint due to the lack of investment in infrastructure. Chinese firms with support of the state enjoy the “coalition engagements” across various sectors, which align to the long-term plan of Beijing to Africa’s development. Once set a foothold, Chinese companies are likely to pursue other tenders in the host country. With an understanding of the market, modern equipments and machinery, they are competitive bidders in for large projects including funded by international institutions such as the World Bank, contributing to a lowering of costs.

Here are a few key positive lessons that can be drawn from the China’s foreign aid in past decades.

Inexpensive tangible results

The strong focus of Chinese aid on infrastructure allows minimum embezzlement and corruption by rarely transferring cash to recipient government. Not being directed to recipient’s national budget, aid is disbursed directly to Chinese contractors. With the domestic tender platform of the aid department, the tied element of aid doesn’t appear to make the cost overflow. China’s aid spends less on employing experts comparing with most traditional donors. In

http://www.iadb.org/en/annual-meeting/2011/annual-meeting-article,2836.html?amArticleID=9323
62 白皮书
63 Elling 9
Mozambique, some 3,500 technical experts were hired by western donors with a payment of $350 million each year, equal to the salaries of 400,000 local people. The distinct practice of the Chinese also enabled a less likely brain drain from recipient bodies.

**Promoting productivity**

China’s aid policy explicitly demonstrates its intention of using subsidies to help foster investment by their own companies. Infrastructure, as a sector disengaged by traditional donors, is to be assisted by Chinese aid regime as well as to entrench China’s commercial engagement. The “Angolan Model” permits resource-backed loan finances the countries with controllable debt. The different vision on debt sustainability is referential to western donors. Along its own path of development, China benefited from foreign investment initially in four special economic zones, which boosted productivity by introducing advanced technology and management. Likewise, the African SEZs and the CADF deliver China’s doctrine on promotion of production that lays the foundation of development.

Contrast to the favor of investing food trade by the west, Chinese agricultural investment is considered in line with addressing Africa’s huger problems by introducing hybrid rice and promoting sustainable fishing. Heavy investment on agricultural infrastructure, such as dams and canals, expands arable field significantly.

In the meantime, challenges are looming larger in the aid policy radar that are raised by international scholars and discussed among Chinese stakeholders.

**The first challenge is about deviation from conditionality.**

China’s “non-interference” rhetoric is often used to justify its no-strings-attached foreign aid practice. Yet, the observers accused China of giving blind support to “rogue states”. Officials and politicians in Europe and the US tied China tightly of being complicit with the odious Sudanese military junta as not using its leverage of aid, and other forms of support, to end the massacres in Darfur. In Zimbabwe, after years of sanction, despite criticism from the west about

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64 Dragon gift, 134
66 Martyn, 54
67 [http://www.atimes.com/atimes/China_Business/KJ02Cb01.html](http://www.atimes.com/atimes/China_Business/KJ02Cb01.html)
propping up the despot, Chinese Foreign Minister Yang Jiechi signed a $7.6 million aid grant to Zimbabwe at the first stop of his tour of five African countries in early 2011.  

The outmost concern from the western donors is that given the magnitude of China’s aid, the recipient countries now have a desirable alternative bypassing the long-imposed conditionality on, for instance, trade liberalization, good governance or environmental and social protections. China rivals the World Bank on a gigantic rail project in Nigeria, pushing aside the World Bank’s efforts to tackle corruption. In 2005 Angola broke off its negotiations with the IMF, previously about to put a staff-monitored programme to oversee Angola’s economic policies, and announced a subsequent decision of a $2 billion package of soft loans from China.

Moreover, absence of Chinese aid is blamed responsible for corruption in the Philippines, reign of dictators in Burma and destruction of the environment in Laos.

_The second issue is about tied aid and little spilling over effects._

Noticeable projects- roads, railways, telecommunication networks- are under construction of Chinese firms. In other words, most of Chinese aid is tied, a practice the members of OECD-DAC agreed to move away from progressively, due to that tied aid increases the cost and requires larger bureaucracies on sides of donor as well as recipient. Generally, the aid department of MOFCOM or Eximbank disburses to the contractor after the recipient confirmed the progress in line with the contract. The Eximbank states, as concessional-loan-funded projects, “In principle, no less than 50% of total procurement shall be made in China”.

Local employment marks another limit of Chinese aid. Throughout Africa, where present Chinese aid projects, Chinese contractors hire mainly imported Chinese workforce, even where Africans desire opportunities to work. Dipak Patel, Zamia’s minister of commerce, pointed out China’s lack of cooperation with African work forces, “China is displacing local people and causing a lot of friction. You have Chinese laborers here moving wheelbarrows”. Chinese teams

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69 Rouge aid
71 [http://www.realityofaid.org/userfiles/roareports/roareport_452449c76e.pdf](http://www.realityofaid.org/userfiles/roareports/roareport_452449c76e.pdf)
72 [http://www.oecd.org/document/16/0,3746,en_2649_33721_46890896_1_1_1_1,00.html](http://www.oecd.org/document/16/0,3746,en_2649_33721_46890896_1_1_1_1,00.html)
are also distant socially, often barricaded physically from neighboring communities by setting up razor wire, arousing suspicion and leading to isolation.\textsuperscript{75} In a word, the “spilling over effect” of Chinese aid is little in economic and social respect.\textsuperscript{76}

\textit{The third major question is the risks of re-indebting poorest countries.}

The multilateral debt relief initiative (MDRI) which dealt with the HIPC countries debt to multilateral institutions resulted in a relief of $43 billion.\textsuperscript{77} The fact that China is now offering new loans to these debt relieved countries is seen free-riding on the established donors’ debt relief programme and creating new problem for the future of the recipient countries. In 2008, the IMF expressed its concern on a $9 billion Chinese package, consisting of zero-interest, concessional and commercial-rate loan, to Democratic Republic of Congo (DRC). Meanwhile, a write-off of a $12.3 billion loan was under negotiation within MDRI framework. Doubting DRC’s debt sustainability on Chinese offer, and worried by its guarantee of prior repayment to China, the IMF and the World Bank pushed a renegotiation. Eventually, the IMF concluded that the downsized $6 billion loan had become “consistent with debt sustainability”.\textsuperscript{78}

\textit{The fourth concern is transparency and lack of cooperation.}

The Development Assistance Committee (DAC) made commitment on aid transparency under the auspices of the OECD-DAC Working party on Aid Effectiveness and the Higher Level Forums in Rome, Paris and Accra and with the International Aid Transparency Initiative (IATI).\textsuperscript{79} In contrary, China’s information on Foreign aid is hardly available. Though the publication of \textit{China’s Foreign Aid} marks a huge progress on transparency as it’s the first official report ever, the details and practices on project basis remain far to reach. For instance, Global Witness, an NGO observing natural resource exploitation, stated concerns about the $6 billion China-DRC mining and infrastructure package. The absence of vital pricing mechanism

\textsuperscript{75} Stephanie Rupp, Africa and China: Engaging Postcolonial Interdependenceis, 77 in “China into Africa” Robert I. Rotberg, 77
\textsuperscript{76} Elling, 15
\textsuperscript{77} Ngaire 1209
\textsuperscript{78} \url{http://www.globalwitness.org/sites/default/files/library/friends_in_need_en_lr.pdf}
\textsuperscript{79} Sven, 1
from published information leads to a uncertainty of DRC’s revenue projection which in turn undermines the debt sustainability.\textsuperscript{80}

In 2005, the OECD-DAC meeting on aid effectiveness called for alignment between donor countries by sharing information in order to avoid the overlap and to pool resources. Chinese delegation signed the pledge, with its role of aid recipient. Being a donor with the ramping-up funding, China merges as a lone ranger in the fora of international aid. Western aid donors complain that China is secretive about its aid projects, and that it declines to attend the traditional meetings presided over by the World Bank to coordinate aid activities in poor countries.\textsuperscript{81} China is suspected not willing to be under leadership of the World Bank, as a Chinese diplomat once stated: “The World Bank always wants countries to join them and to follow their process. But is the record of the World Bank in African countries so good?”\textsuperscript{82}

\textbf{IV. Conclusion}

China’s foreign aid is rooted in its domestic political economy. The size of its aid is driven by the national economic strength, soaring from the year of 2000 when China speeded up its economic growth. The composition of its aid and the mechanism how aid is delivered are also linked with its political and economic model. That is, the formality of aid is more diversified. China use regional and multilateral channels more frequently in delivering its aid in addition to traditional bilateral aid.

China’s aid has de facto close linkages with commerce interests largely due to two factors. The first factor is that MOFCOM is the leading agency in charge of China’s foreign aid policy. It traced back to the early years of PRC when China’s aid was mainly materials and all international flows of materials were controlled by MOFCOM. Different from many western countries, China does not have an independent agency that is responsible for international

\textsuperscript{80}http://www.globalwitness.org/sites/default/files/library/friends_in_need_en_lr.pdf
\textsuperscript{81}http://www.nytimes.com/2006/09/18/world/asia/18china.html?pagewanted=2& r=1
development. The second factor is the political and historic relations between SOEs and the government. Driven by demands for both natural resources and export market, SOEs are actively involved in influencing China’s aid policy by helping recipient countries to make aid request and conducting feasibility assessment of proposed aid project.

In the contrast to its emphasis on economic activities and physical infrastructures, Chinese aid on social and human sectors remains modest. Traditional donors’ focus on social and human sectors such as water sanitation, primary education, health service, gender equality etc. which are expected to have direct impact on the achievement of the millennium development goals.\textsuperscript{83} The different but associated paradigms of aid put forwards a promising picture of aid cooperation between China and traditional donors, and in the end can contribute to conductive and effective global governance on international aid.

For China, there is a room to improve its aid policy from three aspects. Firstly, China shall provide more detailed data on allocation of aid, as well as information on basis of loan package. The White Paper on Aid Policy is a very good first step and more detailed reports shall be made available for researchers and partners. Secondly, dialogue mechanism with bilateral, regional and multilateral donors is in needs. A positive trend is that the Beijing office of British Department for International Development (DfID) and the MOFCOM have signed a MoU to reassure Chinese partners that the trilateral approach has high-level support. Thirdly, China can join the forces with other experienced donors to empowering those firms who are implementing aid projects to conduct socially responsible behaviors in compliance with international environmental and social rules and regulations. This will have positive results to both the community in recipient countries and the implementing Chinese firms, as the two interact and are affected by each other directly.\textsuperscript{84}

Enhanced aid cooperation requires also reform of the traditional donors. There is an element of political suspicion around China’s foreign aid engagement. Many consider that the U.S. Secretary of State Hillary Clinton’s speech on Bushan aid effectiveness conference, urging developing countries to be alert on aid donors, was geared to China’s recent offensive of aid.\textsuperscript{85}

\textsuperscript{83} Kragelund, 20
\textsuperscript{84} China into Africa, 77
\textsuperscript{85} http://www.reuters.com/article/2011/11/30/us-development-clinton-idUSTRE7AT08J20111130
Though the politicization of Chinese aid emergence seems inevitable, it is not reckless to believe that, with the positive feedbacks from recipients, Chinese aid has altered, and will continue altering aid dynamic, most significantly in Sub-Saharan African. It is time to put the norms under close scrutiny, transforming it to rules facilitating effective international cooperation for development aid. These currently agreed elements are not yet convincing. For instance, by employing the norm of reducing debt burden, the rebuilt credit worthiness by debt relief does not allow borrowing new loans, which could encouraging new investments and boosting economic potential. In heavy borrowing Angola and Sudan, China is found to have a positive impact on debt tolerance through stimulating exports, infrastructure investment and GNP.  

Rules for aid, evolved from established aid norms by careful examination, are not desperately far given new horizon of aid effectiveness. Indeed, the first decade of new millennium, in the least developed region, mostly significantly Africa, witnessed a strong revitalization of economic growth. The international community ought to bring together key participants- from both established group and emerging powers- work on the feasible and effective cooperation.

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86 http://www.oecd.org/dataoecd/21/20/39628269.pdf
Appendix I

China's Eight Principles for Economic Aid and Technical Assistance to Other Countries
(January 1964)

1. The Chinese government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.

2. In providing aid to other countries, the Chinese government strictly respects the sovereignty of recipient countries, and never attaches any conditions or asks for any privileges.

3. China provides economic aid in the form of interest-free or low-interest loans, and extends the time limit for the repayment when necessary so as to lighten the burden on recipient countries as far as possible.

4. In providing aid to other countries, the purpose of the Chinese government is not to make recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.

5. The Chinese government does its best to help recipient countries complete projects which require less investment but yield quicker results, so that the latter may increase their income and accumulate capital.

6. The Chinese government provides the best-quality equipment and materials manufactured by China at international market prices. If the equipment and materials provided by the Chinese government are not up to the agreed specifications and quality, the Chinese government undertakes to replace them or refund the payment.

7. In giving any particular technical assistance, the Chinese government will see to it that the personnel of the recipient country fully master the technology.

8. The experts dispatched by China to help in construction in recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.