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China as a 'net donor': tracking dollars and sense

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Abstract *The article examines China's emergence over the past decade as a net donor, and the implications of this status in global development. The analysis begins by outlining China's rise as a net donor, drawing comparisons in two-way aid flows with the other rising states, specifically Brazil, South Africa and India, and then turns to the implications of China's rise as an aid sender. The central argument is that conceptualizing China's rise as a 'net donor' is crucial for understanding the hybrid position that China has come to occupy in the global aid system, and the consequences of this positioning. Although China has achieved remarkable success with its own development, rather than join the Organization for Economic Cooperation and Development's Development Assistance Committee (DAC) regime of traditional donors, the Chinese Communist Party and government leadership has chosen instead to continue to self-identify with the countries of the South, and to construct ties of South–South cooperation outside of DAC arrangements. The Chinese leadership is trying to stake out an unprecedented position in the global aid system, traversing the North–South divide, despite the fact that China has already joined the ranks of world economic powers.*

China's role as an aid provider is generating intense scrutiny. Within the scholarly ranks and think-tanks, the analysis has focused on the implications of China's rising aid to Africa (Davies 2011; Krageland 2011; Tan-Mullins et al 2010), its impact on development norms (Birdsall and Fukuyama 2011) and on the global aid system (Woods 2008). Some observers have labelled China a 'rogue' donor (Naim 2007), while a few China specialists and policy practitioners have compared China's self-stated intentions, motivations, lessons learned and longer-term behavioral patterns with other donors, and offer more substantive and balanced assessments of Chinese aid (Manning 2006; Chin and Frolic 2007; Brautigam 2009; Li 2010; de Haan 2011).

China is causing major changes in the global development system, and the world economy more broadly, by the force of its outward capital flows, and the aforementioned literature makes an important contribution in advancing our understanding of China's role as an aid provider, and the potential impacts. However, what has not received sufficient attention, and what makes China especially worthy of study—from the standpoint of the *system* of global development—is that China is one in a handful of large emerging countries that have evolved into middle-income status and transitioning from net recipient to

net donor, a country that gives more aid than it receives.¹ Unlike previous emerging economies such as South Korea, which ended its receipt of aid after reaching middle-income status, and has transitioned into being a donor only, China has not ended its receipt of aid, even though its external aid contributions have escalated dramatically during the past decade. The others in this club of givers-and-receivers are Brazil, South Africa and potentially India in the near future. But even within this select group China stands out, controversially, as being the largest giver, and still one of the largest receivers of official development assistance.

This article examines China's emergence over the past decade as a 'net donor' and the implications of this hybrid positioning. The central argument is that conceptualizing China's rise as a net donor enables one to better understand three dimensions of the uniquely paradoxical position that China has come to occupy in the global aid regime, as well as the consequences of this status. First, China has achieved considerable success over the past decades in spurring its own modernization and development. The country has become the world's factory, the foremost trading power and even a creditor nation (Chin and Helleiner 2008). Yet rather than join the Organization for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC) regime of the traditional donors, the Chinese leadership has chosen instead to continue to self-identify with the countries of the South, and to preserve the image of China being a 'developing country'. China has poured large amounts of aid into the developing world, but it has done so outside of the DAC arrangements. Second, the Chinese assistance has been channelled mainly through bilateral channels, and framed by China-specific norms of international 'solidarity' with the developing, post-colonial world. Chinese government officials have supported the implementation of the decision of the political elites by rearticulating how China's aid is different from that of the 'traditional donors'; arguing that it is more authentically rooted in motives of 'South-South cooperation' and 'development partnership' objectives. They have continued to reinforce the message despite the growing power asymmetries between China and its aid recipients. All the while, third, China has continued to accept, and seek, the aid of Western/Northern donors and multilateral lenders—even as bilateral donors increasingly exit from the People's Republic. China's aforementioned efforts to traverse the North-South divide, and its decision to maintain the dual status as provider-and-receiver of aid, have generated interstate tensions that are affecting China's relations with its international development partners, both in the South and in the North—and creating pressure on the multilateral donors to adjust their rationale for lending to China.

We begin in the first section by examining China's rise as a net donor, and draw comparisons in the two-way aid flows of the other BRICS (Brazil, Russia, India, South Africa) countries. In the second section, we turn to assessing the implications of China's fast growth as an aid provider—while it continues to receive aid. The analysis provides mid-range conceptual thinking about a unique trait of China's foreign aid management: the guiding role of the Chinese

¹In this article, the term 'net donor', like the terms 'net lender' and 'net borrower', conveys a mathematical calculation, a quantitative indicator of the relative status of a particular country in terms of its sending and receipt of development capital, and is not a judgment on the quality of the aid.

Communist Party (CCP) in steering and shaping China's aid policy and programmes.

Rising net donors

The evolution of China, Brazil, South Africa and potentially India from net recipients to net donors is a central component of a wider realignment of global aid. Just over a decade ago, the vast majority of aid still came from about 15 industrialized countries, members of the DAC. The United States (US), not to be underestimated, still remains the largest bilateral donor, providing US\$31 billion in 2010. However, it is quite feasible that China has moved up to either number two or three on the list, providing about US\$20–23 billion in 2010, if one uses a broader definition of 'foreign aid', which includes grants and no-interest development loans as well as the lines of concessional financing that are issued under the rubric of 'international economic cooperation' lending by two state policy banks, China Export–Import Bank (China Eximbank) and China Development Bank (CDB).²

One of the biggest challenges in the study of the rising donors is knowing the exact amount of their respective aid contributions, when the dividing lines between aid, trade and investment are not clear, unlike the definition of 'ODA'³ under the OECD-DAC regime. The *China Statistical Yearbook* provides some yearly breakdowns for the aid budget that is managed by the Ministry of Commerce (MOFCOM), under 'economic cooperation with foreign countries', and this includes the categories of 'value of business fulfilled', 'contracted value', 'number of contracts' and types (labour services, design contracts, technology), and geography (regionally segmented). According to the *Yearbook*, China's aid contributions amounted to US\$143.52 million for 2002, US\$172.34 million for 2003, US\$213.69 million for 2004, US\$267.76 million for 2005, US\$356.95 for 2006, US\$479.00 for 2007, US\$651.16 for 2008 and US\$866.17 for 2009.⁴ But these numbers grossly understate the totals, as they consist only of the grant contributions and interest-free loans managed by MOFCOM. They do not include the sizeable low-interest 'foreign economic cooperation' loans that are administered by China Eximbank and CDB.

The government does not release *comprehensive* data on annual foreign aid contributions, which would encompass the full range of Chinese aid, including

² This interpretation differs from Brautigam's argument for a narrower definition of Chinese aid which would not include export credits, and grants or subsidies to support private investment (see Brautigam 2009, 14).

³ The official definition of 'ODA', the acronym for 'official development assistance', used by the OECD-DAC is: 'Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount). By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries ("bilateral ODA") and to multilateral institutions. ODA receipts comprise disbursements by bilateral donors and multilateral institutions. Lending by export credit agencies—with the pure purpose of export promotion—is excluded' (International Monetary Fund 2003).

⁴ The above totals are for 'value of business fulfilled', rather than 'contracted value' (National Bureau of Statistics of China 2011).

grants, no-interest loans and aid-related concessional loans. Foreign aid figures are still officially classified as a 'state secret'. Chinese aid officials also suggest that another reason for the lack of clear data is due to the lack of a centralized and unified tracking system (Chin and Frolic 2007). Yet the importance of understanding the full range of China's aid is reflected in the government's own 'White Paper on China's foreign aid' (Government of the People's Republic of China, State Council Information Office 2011), which classifies the 'financial resources provided by China for foreign aid' into three types—grants (aid gratis), interest-free loans and concessional loans—and states that the first two come directly from China's state finances, whereas concessional loans are provided by the Export-Import Bank of China, as designated by the Chinese government.

The White Paper tells us that China's aid contributions 'increased rapidly' after 2004, growing nearly 30 per cent per annum between 2004 and 2009. It also highlights that China's aid has been spread broadly in terms of sectors,⁵ recipient countries, and geography: 'The recipients [of China's foreign aid] cover most developing countries in Asia, Africa, Latin America, the Caribbean, Oceania and Eastern Europe. By the end of 2009, China had aided 161 countries, and over 30 international and regional organizations.'⁶ The scope of China's aid programmes is the widest among the BRICS countries, and arguably vying with the European Union (EU) for second place, after the US. Moreover, if one considers that China provides large amounts of unreported aid to political regimes that are deemed off limits by the West, such as Iran, North Korea, Cuba, Venezuela, Mozambique and Burma, and gives large amounts of aid to Pakistan, then it could be said that China's aid is *the* most global in reach.⁷ This highly politicized aid is not included in the statistics of the *Yearbook* or the White Paper.

The lack of comprehensive Chinese data has led to foreign estimates that range as high as US\$25 billion for 2009, from New York University's Wagner School,⁸ to Brautigam's more conservative US\$1.9 billion.⁹ An amount significantly larger

⁵ The White Paper reports (up to 2009): economic infrastructure (31 per cent); industry (16 per cent); energy and resources development (8.9 per cent); agriculture (4.3 per cent); public facilities (3.2 per cent); and other (6.5 per cent). Of a total of 2025 completed projects (up to 2009): public facilities (670); industry (635); economic infrastructure (390); agriculture (215); other (115) (Government of China, State Council Information Office 2011).

⁶ China gives aid 'regularly' to 123 developing countries: 30 in Asia, 51 in Africa, 18 in Latin America and the Caribbean, 12 in Oceania and 12 in Eastern Europe. Africa and Asia, the regions with the largest populations living in poverty, have received approximately 80 per cent of China's foreign aid. In 2009, Africa received 45.7 per cent, Asia 32.8 per cent, Latin America and the Caribbean 12.7 per cent and Oceania three per cent (Government of China, State Council Information Office 2011).

⁷ Open source reports suggest that Iran, Pakistan and North Korea were the largest single beneficiaries of Chinese external assistance in 2004. Chinese assistance to Pakistan reportedly increased dramatically in 2003–2004, press reports citing more than US\$6.8 billion in assistance projects such as a nuclear reactor, power plants, railway improvements and general development assistance. Press reports are cited by Saunders (2006, 21).

⁸ These data, which combine official Chinese statistics and media reports, were reportedly compiled by graduate students at the Wagner School at New York University and fed into a US Congressional Research Service report by Lum and colleagues (2009).

⁹ See the blog by Debra Brautigam, 'More mistakes by The Economist: charity begins abroad', 16 August 2011, <<http://www.chinaafricarealstory.com/2011/08/more-mistakes-by-economist-charity.html>>, accessed 13 January 2012

than US\$1.9 billion would be accurate if the portion of concessional loans for 'foreign economic cooperation' from China Eximbank and CDB were included, and if one considered the large and broad-ranging 'foreign assistance' that China directs to states that the West considers suspect. The lack of comprehensive yearly data on Chinese aid contributions also makes it difficult to pinpoint the exact time period when China moved from net recipient to net donor status. However, if we calculate using the cautious US\$1.9 billion estimate, then China's aid-giving exceeded its receipt of ODA after 2005–2006, when there was a surge in Chinese aid to Africa. Given that China's total ODA received was only US\$1.5 billion in 2007 and 2008, and has trended downwards since then, to US\$1.13 billion in 2009, and US\$648 million in 2010,¹⁰ there is no doubt about China's net donor status.

The trigger for the surge in Chinese aid in 2005–2006 was a series of bold aid announcements, starting with Chinese President Hu Jintao's speech at the United Nations (UN) Millennium Summit on 15 September 2005, when China promised to expand its assistance to heavily indebted poor countries and least developed countries, write off overdue loans and provide US\$10 billion in concessional loans and preferential export buyers' credits to developing countries to improve their infrastructure and promote commercial ties with China. Hu added that China would train 30,000 personnel from developing countries over the next three years (2006–2009).¹¹ In November 2006, when Beijing hosted the Third Forum on China–African Cooperation (FOCAC),¹² President Hu promised that Africa would receive US\$5 billion out of a total of US\$10 billion in concessional loans and preferential credits; another US\$5 billion for the China–Africa Development Fund, to support Chinese investment in Africa; a doubling of the grant assistance for the year 2006 (to build hospitals, malaria prevention and treatment centres, and rural schools in Africa and a conference centre for the African Union); and cancellation of all interest-free loans owed by eligible countries which had matured in 2005. In Egypt, Chinese Premier Wen Jiabao followed up at the Fourth Ministerial Conference of the FOCAC in November 2009 by promising that China would provide US\$10 billion in concessional loans for 2010–2013, and provide a special loan of US\$1 billion to Chinese financial institutions to provide financing for small and medium-sized African businesses.¹³

¹⁰ Source of data is the OECD-DAC, posted on 'Net official development assistance and official aid received', *World Bank Group*, <<http://data.worldbank.org/indicator/DT.ODA.ALLD.CD>> .

¹¹ China also accorded zero-tariff treatment for a number of products from the 39 least developed countries. See 'Hu Jintao delivers an important speech at the UN summit', *Ministry of Foreign Affairs, China*, 16 September 2005, <<http://www.fmprc.gov.cn/eng/wjdt/zyjh/t212614.htm>>, accessed 17 August 2012

¹² China has also helped build six overseas 'special economic zones' in Africa. Source: 'China has pledged to double its aid to Africa and provide \$5 bn in loans and credits over the next three years', *BBC News*, 4 November 2006.

¹³ Wen also announced that China would cancel the debts associated with interest-free government loans due to mature in 2009 for the most heavily indebted and least developed African countries; phase in zero-tariff treatment to 95 per cent of products from the least developed African countries; build 100 clean energy projects in Africa covering solar power, bio-gas and small hydro-power; carry out 100 joint demonstration projects with Africa on scientific and technological research, and receive 100 African postdoctoral fellows in China; provide medical equipment and anti-malaria materials worth 500 million yuan (US\$73.2 million) to 30 hospitals and 30 malaria prevention and treatment centres built by

These aforementioned aid commitments signalled Beijing's intentions to dramatically enhance its profile as an aid sender. They also roused the attention of the traditional donors. Witnessing first-hand China's growing activism, the former director of the World Bank office in Beijing, David Dollar, noted in a speech in Washington, DC (June 2007) that China's aid to Africa had exceeded the World Bank's lending to Africa that year (when it had reached nearly US\$3 billion versus the World Bank's US\$2 billion).¹⁴

However, China has also dramatically increased its external assistance to Latin America and the Caribbean during the past decade. Chinese aid to Latin America and the Caribbean, which was negligible a decade ago, exceeded US\$1 billion per year by 2010. China's aid and investment has been concentrated in infrastructure, including high-profile construction projects, energy development and natural resource projects.¹⁵ China gained non-regional membership in the Inter-American Development Bank (IDB) in January 2009, and agreed to contribute US\$350 million to bolster the IDB's assistance programmes when the world economy was under duress. It holds US\$56 million in shares in the Caribbean Development Bank (CaDB), and contributed US\$33 million to the CaDB's Special Development Fund (Chin 2011).

In the Caribbean, home to almost half of the 24 countries in the world that have recognized Taiwan diplomatically, Beijing is motivated principally by geopolitical and diplomatic interests (Bernal 2010).¹⁶ Money diplomacy has been waged over countries such as Belize, Grenada, St Lucia, St Vincent and the Grenadines, St Kitts-Nevis and Haiti (Sanders 2008). China does have some economic interests in the region in terms of securing supplies of raw materials in Trinidad and Tobago (gas and asphalt), Jamaica (bauxite) and Guyana (timber, bauxite, minerals), but these are secondary motivations, given that such resources can be sourced elsewhere in the world. Bernal (2010, 294) writes that the countries of the Caribbean—aware of Beijing's recent aid deployments and massive foreign reserve holdings, and conscious of the decline in ODA from the traditional donors—are increasingly looking to China for economic assistance.

The fact that China has moved from receiving virtually no ODA from the DAC establishment prior to 1980 (and being a net donor) to the world's largest ODA recipient a few years later, to International Development Association (IDA)

Footnote 13 continued

China, and train 3000 doctors and nurses; build 50 schools and train 1500 school principals and teachers; increase the number of Chinese government scholarships to Africa to 5500; train 20,000 professionals; expand people-to-people and cultural exchanges. Source: 'Eight measures to enhance coop with Africa', *China Daily*, 8 November 2009, <http://www.chinadaily.com.cn/china/2009-11/08/content_8929420.htm>, accessed 23 October 2010.

¹⁴Event transcript for 'China: developing giant and development actor', featuring David Dollar, World Bank Country Director for China and Mongolia, *Center for Global Development*, 21 June 2007, Washington, <http://www.cgdev.org/doc/events/6.21.07/Transcript_China_Event_6.21.07.pdf>, accessed 25 October 2010.

¹⁵According to a Deloitte & Touche report, Chinese investment rose from US\$4 billion in May 2009 to June 2010 to US\$15.6 billion in May 2010 to June 2011. The report is cited in Webber (2011).

¹⁶This point was highlighted by a researcher at the think-tank China Institutes of Contemporary International Relations, Beijing, April 2007.

graduation in 1999,¹⁷ to zero net ODA again (as net loan repayments offset continuing grant transfers) and then to net donor status is a remarkable journey. However, China is only part of the reset of global aid.

Brazil has made a similar shift from net recipient to net donor. The Brazilian government body responsible for its bilateral assistance, Agencia Brasileira de Cooperacao (ABC), has overseen a surge in Brazil's aid programmes over the past decade, to just under US\$1 billion by 2011.¹⁸ Brasilia makes the largest contributions (per capita) to the World Bank's IDA among the BRICS countries (see the article by Inoue and Vaz in this issue). Brazil's net donor status is confirmed by the fact that ODA to Brazil amounted to only US\$664 million in 2010; which was actually an increase from previous years, due to a new loan from the World Bank (ODA fluctuated between US\$321 million in 2007, US\$460 million in 2008 and US\$337 million in 2009).¹⁹ Furthermore, perhaps foreshadowing changes to come, a senior foreign policy strategist to President Delma Rouseff, noted in a discussion with the author that 'The time is right for Brazil to think seriously about whether we should end accepting loans from the World Bank. The money is not needed anymore, and the cost entailed, in terms of national foreign policy interests is not worth it.'²⁰ Such a move would solidify Brazil's transition to 'donor' status in a mathematical sense (it would no longer be a *net* donor).

South Africa also made the shift to net donor status about a decade ago. Overseas development assistance to South Africa decreased from US\$1.125 billion in 2008 to US\$1.032 billion in 2010, while estimates of South African aid to the rest of Africa already topped US\$1.3 billion as early as 2002, and reached US\$1.6 billion by 2004.²¹ Pretoria's aid commitments are smaller in scope, scale and ambition than those of Brazil, China and India, but its total aid contributions are the largest of the BRICS countries in per capita gross domestic product (GDP) terms, and estimated to exceed the UN target of 0.7 per cent of GDP (see the Vickers article in this issue). South Africa has increased its multilateral contributions to the UN agencies, as well as through the African Renaissance and International Cooperation Fund and via humanitarian relief campaigns within and beyond Africa. In April 2012, after extensive preparatory work, the authorities approved the creation of the much anticipated South African Development Partnership Agency (SADPA) as the country's external aid agency. SADPA is expected to be operational, along with the Partnership Fund for Development, by April 2013 (see the contribution by Vickers in this issue).

India has yet to make the transition from being the world's biggest recipient during 1952–1992 (receiving about US\$55 billion in foreign aid during this period) to a net donor. However, it is an important part of the evolution in global aid patterns, if one considers India's economic potential, its assistance programmes to other Asia countries, its long-held interests in Africa and the fact that India also

¹⁷ The World Bank's IDA refers to the lowest interest loan category that the World Bank offers to the least developed countries. See <<http://www.worldbank.org/ida/>> .

¹⁸ This figure was provided by ABC Minister Marco Farani. Interview with author, Brasilia, May 2012.

¹⁹ Source: World Bank data, <<http://data.worldbank.org/indicator/DT.ODA.ALLD.CD>> .

²⁰ Author's discussion with a senior Brazilian foreign policy adviser, Brasilia, May 2012.

²¹ For estimates of South African aid to Africa see Alden and le Pere (2010).

self-identifies as a 'Southern' development partner. India is reported to be on the verge of establishing its own aid-giving agency (see the article by Chaturvedi in this issue). An Indian foreign ministry spokesperson reported in April 2011 that the government is in 'active discussions' to create an India Agency for Partnership in Development (IAPD), an equivalent of the US Agency for International Development (USAID) or the Canadian International Development Agency (CIDA).²² Intra-bureaucratic foot-dragging has slowed down the creation of this agency. Nonetheless, Gurpreet Singh, from the Indian think-tank Research and Information System for Developing Countries (RIS), suggests that the government is planning to announce the body shortly, and will give US\$11.3 billion for its operations over the next five to seven years.

Traversing North–South

The analysis in the preceding section highlights that China is a key actor within a grouping of rising states, and rising net donors, that are changing the structure of, and balance influence in the global aid architecture. With their two-way aid flows, these rising net donors are actually remaking the global aid system; rather than choosing to join the OECD-DAC regime, and ending their receipt of ODA after reaching middle-income status (as in the cases of Japan and South Korea). These rising states are choosing instead to maintain their hybrid positioning as givers-and-receivers, and they want to continue self-identifying, politically, with 'the South'.

Below, we discuss how the CCP leadership has directed party and government officials to try to create a unique space in the world economy for China, to traverse the North and South divide, by re-channelling its accumulated material wealth and modernization expertise back to the developing world, *and* by rearticulating the 'Chinese nation's' ideological solidarity with the South. However, the reality of China's expanding global economic profile renders unsustainable Deng Xiaoping's instruction—*tao guang yang hui*, or 'lie low, bide one's time and build internal capacity'—and preserving a 'Third World' self-identification. The narrative of China as a member of the global South is being challenged from a number of sources, and Northern/Western bilateral donors are ending their traditional aid programmes in China.

Competing narratives

Surging waves of Chinese aid, trade and investment into the developing world have generated competing narratives about China's aid. Less developed countries and highly vulnerable states are watching to see whether China acts differently from the traditional donors, and whether China's multinational corporations, and its small and medium-sized enterprises will adhere to broadly accepted rules and norms. The hope is that China will not be a roving marauder, act *only* according to its national interests, or establish new patterns of dependency.

²² 'New sources of aid, charities begin abroad', *The Economist*, 13 August 2011, <<http://www.economist.com/node/21525836>>, accessed 18 August 2012.

Although China has become a world economic power, the CCP leadership has not budged on the 'correct line': that China is a 'developing country', a member of the developing world, and will continue to be a part of the South regardless of its economic success. Sustaining this politico-ideological stance is, however, becoming more challenging as leaders from some African countries are starting to verbalize, publicly, that the current economic arrangements are not sustainable over the long term.

Officials in Africa, as in other parts of the developing world, have welcomed China's increased role, its focus on infrastructure, its track record of rapid project implementation, its self-stated policy of 'non-interference' and the absence of overt conditionality (except for the 'One China' policy). The general perception is that China provides a needed alternative to the Northern donors, especially after the collapse of the Soviet Union.²³ However, some African politicians have been more critical of China. For example, the current Zambian President, Michael Sata, as opposition party leader, threatened to expel Chinese investors when he was campaigning for office.²⁴

Civil society organizations and international non-government organizations (NGOs) have been particularly vocal about their concerns about environmental and social standards in China's aid projects, the quality of imported Chinese goods, the use of Chinese workers and suppliers, and lack of transparency in the design and delivery of aid programmes. A common refrain among the international non-governmental organization (NGO) community is that 'China has its eyes on Africa's vast resource and energy riches' (Moxley 2010). But the narrative of concern has extended beyond non-state advocacy groups, and also included prominent African leaders such as Thabo Mbeki. During his time as president of South Africa, Mbeki warned (December 2006) that Africa must guard against falling into a 'neocolonial relationship' with China, with the African continent just exporting raw materials to China while China imports manufactured goods—and that such a pattern would be a 'replication' of the relationship with the former colonial powers and leave Africa 'condemned to underdevelopment'.²⁵ More recently, at the Fifth Ministerial Meeting of the FOCAC (July 2012), South African President Jacob Zuma, on the one hand, lauded China's contributions to Africa's development but, on the other hand, flagged the concerns of African leaders, saying that he hoped China would work with African countries to address the current pattern of economic relations, which are 'unsustainable in the long term'.²⁶

Some Western commentators have analysed China's so-called 'charm offensive' in Asia, Latin America and, more recently, Africa, and suggest that

²³ On the views of African leaders see Brautigam (2009).

²⁴ Since assuming office, the populist politician has changed his views. Sata recently said that Chinese businesses are welcome, but need to abide by local laws. This turn is not surprising given that Chinese businesses have invested more than US\$1 billion in Zambia (England 2012).

²⁵ I thank Philip Alves for bringing Thabo Mbeki's comments to my attention. See 'Mbeki warns on China–Africa ties', *BBC News*, 14 December 2006, <<http://news.bbc.co.uk/2/hi/business/6178897.stm>>, accessed 28 July 2012.

²⁶ 'Remarks by president Jacob Zuma at the opening session of the 5th Forum on China–Africa Cooperation, Beijing, China', *The Presidency, Republic of South Africa*, 19 July 2012, <<http://www.thepresidency.gov.za/pebble.asp?reliid=6486&t=79>>, accessed 20 August 2012.

Beijing has made significant soft power gains, especially relative to Washington (Kurlantzick 2007). One foreign affairs commentator has accused China of providing 'rogue aid' (Naim 2007). Halper suggests that China is being 'opportunistic' when it embraces regimes that the West has deemed off limits, and that Beijing is creating its own '[despotic] coalition of the willing' in Africa that can be trusted to vote China's way in international forums: 'It's a bloc reminiscent of the one the Soviet Union assembled during the Cold War, though focused on economic and trade advantages, not security issues' (Halper 2010).

Officials in the donor organizations have voiced a range of opinion—from 'cautious optimism, to wariness, and outright hostility in a few cases'—about China as an aid provider (Karp 2009). To the list of concerns, they add a lack of attention to debt sustainability, lack of desire on the part of Beijing to engage in donor coordination, and questions of accountability. In contrast, the official view of the Chinese government—and the conventional understanding among Chinese scholars—is that China gives aid to Africa in ways that are selfless, demand driven, without conditionality and based on mutual respect and understanding, effectively integrates aid, trade and investment and gives priority to fast and efficient delivery of promised projects, for example, infrastructure development in transportation, hydropower and telecommunications.

Chinese officials and scholars were initially perplexed by the growing foreign criticism directed at China's aid to Africa, especially accusations of China acting as a 'neo-imperialist' power. The irony is that the criticism came first from officials of the British government, including Foreign Secretary Jack Straw, and from British media outlets (Sautman and Yan 2006). Chinese researchers responded by outlining a different view; one that reinforced the concept of China as a 'Southern' actor. For example, He Wenping, a leading Chinese specialist on African affairs at the Chinese Academy of Social Sciences (2010) writes,

As the world's largest developing nation and a responsible world power, China has, from the beginning, adopted a series of concrete measures to reduce Africa's debts and increase its aid to African countries. It has also strived to expand its investments in Africa and to adopt zero tariffs on commodities from the continent. To help African countries resolve their food security issues, some concrete quantitative targets were set at previous forums with the aim of promoting Sino-African agricultural cooperation, human resource training, as well as bilateral cooperation on medical care, health and education. These efforts are an indication of China's desire to address some of the continent's most urgent problems. (He 2010, emphasis added)

Professor He adds that

Different policies and measures adopted by China at previous forums have indicated the continuity and innovativeness of the country's Africa policy. At the first ministerial-level meeting in Beijing, China's commitments to reduce African debts proved positive in helping the impoverished continent reduce its colossal debts. The personnel training programs China introduced at the second forum held in Ethiopia in Dec 2003 helped African countries cultivate their labor forces for much-needed economic and social development. The measures put forward by China to promote Sino-African cooperation at the 2006 Beijing Summit, including debt reduction, China's investment in and assistance to Africa, and improvement of African people's livelihood, proved to be a big boost to bilateral ties. (He 2010, emphasis added)

Similarly, Professor Nui Jun of Peking University's School of International Studies suggests that 'China gives aid in situations where it does not expect anything in return, such as disaster relief. As China becomes richer and more developed, it will give aid to more and more countries. We will encourage their development.'²⁷ However, even some Chinese researchers see China's motivations as more complex, and linked to national interests and international influence. For example, Wang Yaohui, Director General of the Centre for China & Globalization (CCG), an independent think-tank in Beijing, suggests that, 'As it [China] becomes richer, it is China's responsibility to help other poor countries. It's a natural transition. It's true that China may have a bigger say in front of these countries. I don't think that China's only purpose is to help these countries.'²⁸

Reinforcing Southern identity

The hierarchical power dynamics that are inherent in China's aid relations, and the undeniable reality of China's ascent as an economic power, have generated increasing scrutiny of China's self-described role and positioning in global affairs. Unlike Japan, Mexico and South Korea, China has shown no interest in joining the DAC regime. Despite dramatic changes in China's aid profile, and in its world economic standing, the country's ruling elites and state officials have tried to maintain a status quo international identity: that China is a 'developing country', part of 'the South'—and a different kind of aid provider from the Western donors.

During interviews with the author, Chinese officials emphasized that, 'although China is increasing its support to developing countries, China will not, and has not, acted like a [Western] donor, or an arrogant and self-interested international power'.²⁹ This 'correct line' is rooted in the foreign policy of the CCP, and the 'Three Worlds Theory' originally articulated by Mao Zedong, and rearticulated by Deng Xiaoping in his historic April 1974 speech at the UN, in which he insisted that China belonged with the Third World, and his statements thereafter that China 'shares a common destiny with the Third World', that China will continue to 'serve the interests of the developing world, regardless of how successful it may be in developing' (Deng 1987, 46).

The ontology of Three Worlds Theory was revived in the party's official line on China's global positioning in Party General Secretary Hu Jintao's 'Report to the Seventeenth Party Congress' (October 2007). The themes of China being a 'developing country' and 'China's Southern solidarity' were reiterated in the section entitled 'Unswervingly following the path of peaceful development', which states,

We support international efforts to *help developing countries* enhance their capacity for independent development and improve the lives of their people, so as to narrow the North—South gap ... For *other developing countries*, we will continue to *increase solidarity and cooperation with them*, cement traditional friendship, expand practical cooperation, provide assistance to them within our ability, and *uphold the legitimate*

²⁷ Nui Jun's views are cited in Moxley (2010).

²⁸ Wang Yaohui's views are cited in Moxley (2010).

²⁹ Author's interview with officials from the Department of Assistance to Foreign Countries, Ministry of Commerce, Beijing, April 2007.

demands and common interests of developing countries. (Hu 2007, 60, 61, emphasis added)

Party ideology—the party’s norms and the international identity that it has constructed for ‘China’ as nation—thus underpins the following statements from Chinese officials in the foreign affairs and commerce ministries that China’s foreign aid is ‘based on a set of principles, norms and values that is different from the traditional donors’:

China, being a developing country, and part of the developing world, approaches its foreign assistance in ways that are clearly different from the Western donors. For example, which high paid consultants or technical experts working for the Western donors would be willing to work according to local standards? In contrast, we expect the specialists from China to adapt to the local conditions when they take on the foreign assignment. This is how we show solidarity with our Southern brothers and sisters.³⁰

The practice of distinguishing China’s ‘Southern’ aid from that of the traditional donors has been carried over into the 2011 White Paper, which says (in the Preface) that ‘Adhering to equality and mutual benefit, stressing substantial results, and keeping pace with the times without imposing any political conditions on recipient countries, China’s foreign aid has emerged as a model with its own characteristics.’ The following ‘basic features’ are listed in the White Paper: (1) unremittingly helping recipient countries build up their self-development capacity; (2) imposing no political conditions; (3) adhering to equality, mutual benefit and common development; (4) remaining realistic while striving for the best; (5) keeping pace with the times and paying attention to reform and innovation.

The underpinnings of party policy doctrine also explain why Chinese aid officials highlighted during discussions with the author (April 2007) that China’s ‘unique approach’ to ‘assisting foreign countries’ continues to be rooted in the ‘Eight Principles for China’s Aid to Third World Countries’, first espoused by then Premier Zhou Enlai on a state visit to Mali in January 1961:

1. Emphasize equality and mutual benefit.
2. Respect sovereignty and never attach conditions.
3. Provide interest-free or low-interest loans.
4. Help recipient countries develop independence and self-reliance.
5. Build projects that require little investment and can be accomplished quickly.
6. Provide quality equipment and material at market prices.
7. Ensure effective technical assistance.
8. Pay experts according to local standards.

The above norms of China’s foreign aid were also restated in the 2011 White Paper.

Chinese government officials have been enrolled in updating and reviving the pre-existing narratives on ‘South–South cooperation’ for current circumstances. The Chinese Foreign Ministry revived the message of ‘Southern solidarity’,

³⁰ Author’s interview with official of the Department of Cooperation with Foreign Countries, Ministry of Commerce, Beijing, April 2007.

drawing subtle contrasts between China's relations with the South and that of the traditional donor countries:

As a member of the developing countries, China is ready to conduct extensive and in-depth cooperation with the countries of the South in the areas of economy, science and technology, education and culture on the basis of the principles of equality and mutual benefit, stressing practical results, diversity in forms and common development. China is ready to provide assistance to some developing countries having difficulties within its capabilities. Though China's assistance is limited, it is dispensed with sincerity and with no conditions attached.³¹

In 2000, former Chinese foreign trade and economic cooperation minister Shi Guangsheng also revived the rationale for South–South cooperation, for 'safeguarding development amid growing global economic uncertainty, and increased leverage in negotiations with the North':

South–South cooperation is an important channel for developing countries to work in unity, improve themselves in a cooperative way and seek common development. Against the backdrop of current international political and economic situations, it has become essential and urgent to intensify South–South cooperation. Only by uniting themselves can developing countries enhance cooperation in all areas, raise up their status in South–North dialogue, effectively participate in the formulation of international rules and better protect their own interests.³²

The Commerce Ministry updated the official policy when Assistant Minister Yi Xiaozhun added that China is an 'advocate and active supporter of South–South cooperation; that cooperation with other developing countries is a part of China's strategy of all-round opening up'.³³

One of important line ministries in the delivery of Chinese aid, the Ministry of Science and Technology, has also revived the image of China's Southern solidarity, its Director General of International Cooperation offering the following:

China is a developing nation with a large population but limited resources. In the new century, strengthening China's cooperation with other developing nations in the fields of science and technology and economy has become unprecedentedly urgent and important. Such cooperation will obviously create ways and means for taking full advantage of the respective strength of different countries, alleviating poverty, accelerating economic development and making fortunes for their people. Such cooperation will also become a stimulus to the South–South cooperation and enhance our international competitiveness and risk resistance so as to allow more positive involvement in the economic globalization process, safeguarding our economic interests and security, and enhancing the visibility of developing nations in South–North dialogues.³⁴

³¹ Source: Ministry of Foreign Affairs, <<http://www.fmprc.gov.cn/eng/wjb/zjzg/zcyjjs/xgxw/t24932.htm>>, accessed 17 June 2007.

³² Source: Ministry of Foreign Affairs, <<http://www.fmprc.gov.cn/eng/wjdt/zjyh/t24974.htm>>, accessed 18 June 2007.

³³ Source: Ministry of Commerce, <<http://yixiaozhun2.mofcom.gov.cn/aarticle/activity/200601/20060101330612.html>>, accessed 20 June 2007.

³⁴ Source: Dr Yu Ying, 'International cooperation', Ministry of Science and Technology, <<http://www.most.gov.cn/eng/cooperation/>>, accessed 25 September 2012.

Not surprisingly, the 2011 White Paper reinforces the message about South–South cooperation:

[T]he scope of international aid for development is being gradually expanded. South–South cooperation is developing rapidly, becoming an effective and beneficial supplement to South–North cooperation. Under the framework of South–South cooperation, China will work with all parties concerned to conduct complementary and fruitful trilateral and regional cooperation on the basis of respecting the needs of recipient countries and jointly promote the process of global poverty alleviation.

What the above text shows is that the CCP is much more involved in framing and guiding the country's foreign aid programmes than acknowledged to date in the scholarly literature.

The continuing influence of the CCP in shaping the norms and basic policy that guide China's aid can be seen in the following quotation from Jia Qinglin, member of the elite Standing Committee of the Politburo of the CCP (and the number-four-ranked party leader), in January 2012, at the opening of the new headquarters of the Africa Union, which was built by China: 'The African Union Conference and Office Complex, built with China's assistance, is a symbol of our profound friendship that will go down in the history of China–Africa friendly relations.'³⁵ At the March 2012 BRICS Summit in Delhi, India, Party General Secretary Hu Jintao called on the BRICS countries to 'jointly promote South–South cooperation', 'to be the defenders of the interests of developing countries', and referred to China as 'the world's largest developing country' (Hu 2012). In June 2012, at the start of his speech at the UN Conference on Sustainable Development in Rio de Janeiro (Rio + 20), Chinese Premier Wen Jiabao (the party's number-three-ranked leader) pledged 'China's readiness to live up to its responsibilities as a developing country', in promoting sustainable development.³⁶

The party's role in guiding and managing China's aid can also be seen in the role the International Liaison Department (ILD) (Lianluo bumen) of the Party Central Committee, which oversees the delivery of China's party-to-party aid, the party's 'quiet diplomacy',³⁷ which includes aid programmes to regimes that are ostracized by the West. The ILD's work is no longer exporting the Maoist brand of revolutionary socialism, but to secure the CCP's own 'party-based' diplomatic channels, which run parallel to the regular channels of the Foreign Ministry.³⁸ In this capacity, the ILD has played a greater role in overseeing China's aid than acknowledged to date in the scholarly literature.³⁹

³⁵ Jia Qinglin's statements are cited in Rao (2012).

³⁶ 'Chinese premier urges joint efforts to promote sustainable development', *Xinhua News Agency*, 21 June 2012, <http://news.xinhuanet.com/english/china/2012-06/21/c_131666714.htm>, accessed 12 August 2012.

³⁷ The International Department (ID) is an important but under-studied agency in China's external assistance operations. It is a relatively large and active organ that now has relations worldwide with approximately 400 political parties and organizations in over 140 countries. See Shambaugh (2007).

³⁸ Author's notes from meeting with the Director General of the ID of the CCP, Beijing, January 2005.

³⁹ Interview with officials of China's National Development and Reform Commission, March 2007.

The influence of the party over Chinese aid is also exercised through the Foreign Ministry's procedure of seeking input from the National Development Reform Commission (NDRC), when reviewing large-scale aid proposals, to determine whether the proposals conform with China's national goals in the Five-Year Plan, and yearly national development plans. The NDRC is the main party-state organ for macro-micro economic coordination and central planning; it is the institution where the leadership of the CCP intersects with the economic bureaucracy (Chin 2010a, 127–154). The NDRC feeds its recommendations back to the International Economic Cooperation Office of the Foreign Ministry, which, in turn, feeds the NDRC's comments to the four-agency coordination mechanism that meets to decide which large foreign aid project proposals should be supported; and feeds up, in turn, to the State Council (the state cabinet) for final approval. The party's intimate role in shaping and managing various dimensions of China's foreign aid accounts for why a significant portion of China's aid remains shrouded in secrecy.

Inconvenient exits

In the rush to study China's dramatic rise as an aid sender, what has been overlooked was that China was *the* largest recipient of ODA from the mid 1980s to the early 2000s, its yearly receipts peaking at US\$ 3.225 billion in 1994. China was one of the largest recipients of aid during the second half of the 1990s, and into the mid-2000s.

China's dramatic rise as an aid provider over the past decade has caused the traditional donors to re-evaluate their aid to China, and many of the bilateral donors have chosen to exit. For the Chinese authorities, the exits raise two concerns. First, although China no longer needs the money of the donors, officials remain pragmatic, and perceive there is much foreign know-how that China has yet to gain, particularly in key areas of policy and governance reform (for example, environmental protection, anti-corruption measures). Such skills cannot be readily bought off the shelf. Second, the exits draw attention to the fact that China's global position has, in fact, changed in some profound ways; which runs counter to the official line about China's global position and identity.

In 2006, 15 bilateral donors and four multilaterals (World Bank, Asian Development Bank (ADB), the UN agencies and the EU) were still operating in China. The Global Fund had a presence in China, and the Gates and Clinton Foundations had just started to build their profiles. Total official ODA disbursement to China by all donors in 2006 was US\$2.76 billion, of which 51 per cent was grants, and 49 per cent in concessional loans. In addition, the World Bank and ADB each disbursed around US\$1 billion in 2006, in market-based lending. These figures sound large, and they are large relative to most other recipient countries, but the reality is that foreign aid only constituted a modest amount of China's overall resources, standing at about 0.1 per cent of GDP by 2006. These qualifications notwithstanding, a succession of Western governments have ended their aid programmes in China since 2005.

Sweden and Norway were among the first donors to end their aid programmes in 2004. But the initial response from the other traditional donors was not as clear cut. During the first half of the 2000s, ODA to China actually continued to rise in

current dollars (2003—US\$1.333 billion; 2004—US\$ 1.685 billion; 2005—US\$ 1.757 billion); and China's net ODA receipts only started to fall in 2007/2008. The downsizing of the aid budgets of the multilateral donors has been slower than for the bilateral donors. The multilaterals are insulated from domestic electorates, and maintaining their presence in dealing with an increasingly powerful China is arguably more important than ever. To stay in China, the World Bank and the ADB have argued that their China programmes are consistently the most successful portfolios, based on independent evaluation. The business case for staying in China is especially strong for the senior management and executive boards of the multilateral development banks (MDBs) in that interest on loans are a key source of revenue for the MDBs. China's absorptive capacity for large-scale multilateral loans for infrastructure, construction and energy projects, and the Chinese 'guarantee' of repayment make China, as one staff member of the ADB remarked to the author, 'a key client—for the bank side of the operations of the World Bank and the Asian Development Bank, China is a key borrower'.⁴⁰

When asked, in 2002–2003, why the World Bank intended to maintain its sizeable operations in China, even though the country had already made remarkable progress in poverty reduction, Bank officials stated that China was still home to over 300 million people living under US\$2.00 per day and 150 million people living in 'acute poverty' (under US\$1.00 per day)—and therefore still in need of aid.⁴¹ However, by 2005 the World Bank had started to rethink its relationship with China, and its Representative Office in Beijing began to work on strategies for how to restructure its programmes to allow the Bank to continue to lend to China.

When former World Bank president Paul Wolfowitz made his first visit to China as the head of the Bank, in October 2005, he stated, 'China has been a large borrower from the World Bank, and is increasingly transitioning from borrower to donor. As its role changes, so its relationship with the Bank will change.' His two objectives for the visit were: First, 'learn more about China's economic growth and poverty reduction ... How did China do it? I want the World Bank to be able to do more to help other countries learn too'. And, second, 'understand more about what the Bank can do to assist China in addressing the still large challenges of poverty in the country'.⁴² When challenged to explain why the World Bank should still provide aid to China, Wolfowitz responded, 'People sometimes ask why the World Bank is still involved with China? After all, I have heard that China sent astronauts into space last week. China has hundreds of billions of dollars of foreign exchange reserves. I put the question the other way around: how could the World Bank not be working with the most populous country in the world, and the country that still has the second-largest number of poor people in any country in the world?'⁴³

⁴⁰ Author's discussion with ADB official, Beijing, February 2005.

⁴¹ Author's discussion with World Bank officials, Beijing, 2002–2005.

⁴² 'Statement by World Bank President Paul Wolfowitz on arrival in China', World Bank, 12 October 2005, <<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,contentMDK:20679041~pagePK:34370~piPK:34424~theSitePK:4607,00.html>>, accessed 12 October 2012.

⁴³ 'Press Conference with Mr Paul Wolfowitz President of the World Bank', World Bank, 18 October 2005, <<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/>

In 2006–2007, the World Bank Institute, the internal 'knowledge bank' of the World Bank, was given the lead to formulate a strategy for partnering with China as a donor. Under Robert Zoellick as president, the Bank broke new ground with China in 2008 when it signed a 'Memorandum of Understanding on Cooperation between the Import–Export Bank of China and the International Bank for Reconstruction and Development'.⁴⁴ While Zoellick tried to encourage China to see the World Bank as a partner on 'knowledge transfer' activities. The Bank also continued to lend China about US\$1.5 billion a year.⁴⁵

In addition to the World Bank, the special agencies of the UN have maintained their operations in China, although the programmes of a number of the UN agencies have faced significant budget cuts, including the UN Development Programme (UNDP), UN Industrial Development Organization (UNIDO), UN Educational, Scientific and Cultural Organization (UNESCO), UN Children's Fund (UNICEF) and International Labour Organization (ILO). To its credit, the UNDP has also been among the most proactive donor organizations in transitioning to working with China as a 'development partner'. From 2003 onwards, the UNDP Office in Beijing has looked beyond the traditional North–South divide, reshaped its relationship with the Chinese government and decided to embrace China's growing presence across the global South. The UN Office in Beijing encouraged China to increase its contributions to UN-led humanitarian, development and South–South cooperation efforts (Chin 2009).

The UNDP in Beijing has repositioned itself amid China's rise as a donor by facilitating the creation of the International Poverty Reduction Center China (IPRCC), in Beijing, the one-stop shop for processing and exporting China's own rural development and poverty reduction lessons. The UN's special agencies have also embedded their programmes in China's growing ties with Africa, to orient the trade, aid and investment flows towards South–South cooperation. One example is the UNDP Beijing Office's support to the China–African Business Partnership, starting in 2006, in which the UNDP worked with China's Ministry of Commerce to integrate corporate social responsibility practices into the new Chinese business with Africa, for example, encouraging sustainable jobs.

The EU, not to be forgotten, provides about 50 per cent of global ODA (compared to the 20 per cent of the US), and continues to be a major donor of grant aid. It has looked to maintain its presence in China at least until 2014–2015,⁴⁶ while also transitioning gradually to partnership with China (and the other

Footnote 43 continued

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⁴⁴ For a detailed discussion of the Memorandum of Cooperation between the World Bank and China Eximbank see Chin (2010b).

⁴⁵ Germany and France have also continued to provide soft loans to China, through Kreditanstalt für Wiederaufbau (KfW) and Agence Française de Développement. Japan stopped its development lending to China in 2007.

⁴⁶ Andris Pieblags, EU Development Commissioner, has issued a new Policy Paper, 'Agenda for change', which lists China among 19 countries that will be excluded from EU aid programmes for 2014–2020, though they may continue to receive aid from the Development Cooperation Instrument (DCI, the EU's development financing instrument) for regional or thematic issues. See Andris Pieblags, 'Agenda for change', EU Development Commission, Policy Paper, <http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf>, accessed 25 August 2012.

emerging donors, India, Brazil and South Africa). In 2010, the EU committed €33.61 million in grants to China out of a total €677 million to Asia, with programmes focusing on fighting HIV/AIDS, improving governance, rule of law, strengthening China's adherence to international economic agreements (World Trade Organization (WTO) and occupational health and safety), environmental protection and promoting clean energy, and encouraging China to help more on the Millennium Development Goals (MDGs) (European Commission 2011).

The focus of the donors that have remained in China, particularly the multilateral development banks (but also the EU, and Germany among the bilateral donors), is largely in three areas: (1) poverty and social issues, particularly in central and western China; (2) structural and reform issues of importance to China, mostly through the provision of technical cooperation; and (3) global public goods, notably environment (including energy efficiency and renewable energy) and combating communicable diseases. Grant aid is now an extremely small portion of the Chinese economy and the national budget, totally perhaps only US\$300 million by 2007. Concessional loans remain the largest part of ODA, despite the end of China's IDA eligibility in 1999, and non-concessional multilateral loans, notably from the World Bank and ADB, have remained at a significant level.

Whereas the multilateral donors have been able to maintain their aid to China, the bilateral donors are more sensitive to domestic political pressure. Politicians and cautious bureaucrats have tried to anticipate the response of their publics to China's dramatic rise as an aid sender, and have taken a zero-sum approach to China's rise as a donor. Japan's Bank for International Cooperation, which was by far the largest bilateral provider of ODA to China for more than two decades, with gross disbursements in 2005 of nearly US\$1.5 billion, ended new commitments after the financial year 2007/2008, although Japan has continued to provide some grant aid through the Japan International Cooperation Agency.

In 2006, the United Kingdom's (UK's) Department for International Development (DfID) representatives informed their Chinese counterparts of their intention to end the bilateral aid programme in 'five years' time'—by 2011. A strong motivation behind the British decision was the realization that China was giving more and more aid to developing countries.⁴⁷ The following quotation from the MP Malcolm Bruce, who chaired the International Development Committee of the British Parliament, is telling:

... reassuring the taxpayer and politicians, too that we are careful about what we are doing. That is one of the reasons, arguably, that the programme, as it is at the moment, should come to an end. People look at the Olympics; they look at the achievements of the space programme and ask why we are giving aid.⁴⁸

When Britain's International Development Secretary Andrew Mitchell formally announced in June 2010 that the £40.2 million (US\$60.6 million) of UK aid to China was coming to an end, he added, 'UK money should be spent helping the poorest

⁴⁷ Author's discussion with UK DfID officials, Beijing, 2006, 2007.

⁴⁸ UK Parliament, Witness Statements for 22 January 2009, in House of Commons, International Development Committee, 'DFID and China: third report of session 2008–09, Volume II', Oral and Written Evidence, HC 180-II, published 12 March 2009, Ev.51.

people in the poorest countries, with every penny making a real difference by giving families the chance of a better future' (Moxley 2010).

Australia followed suit in September 2011. Australia's bilateral aid programme to China actually continued to grow until 2007, when it topped out at US\$35 million, and then fell to US\$30 million in 2008 (out of a total US\$3.15 billion in aid spending). An additional US\$9.3 million was deployed that year through multilateral projects, and through government departments other than the Australian Agency for International Development (AusAID) (Callick 2008). After a major policy review that was concluded in 2011, Foreign Minister Kevin Rudd announced that China and India would no longer qualify for bilateral assistance. He stated that '[China and India] are respectively the second and sixth largest economies in the world. Both have considerable economic capacity. And both have begun their own international development assistance programs.'⁴⁹ Rudd did stipulate, however, that Australia would continue to provide some assistance to these countries through multilateral organizations and regional programmes.

Some of the most vocal political criticism of giving aid to China has been in the US, where USAID is formally barred from working directly in 'Communist' China. From 2001 to 2010, the US government made available US\$310 million for State Department foreign assistance programmes in China, including Peace Corps programmes (Lum et al 2009). These appropriations reached a peak in 2010 at US\$46.9 million. In August 2011, Senators James Inhofe (Republican) and Jim Webb (Democrat) called for cutting off China from the 'taxpayer gravy train, when China is already a military and economic giant, and the world's only other Superpower'.⁵⁰ Webb said, 'We started to look at the contracts and it was rather amazing that the number 1 recipient of these taxpayers dollars were Chinese state-owned corporations', referring to US\$320 million worth of US government contracts to China. Andrea Lafferty, of the Traditional Values Coalition, queried, 'Here we are sending money to a nation that we are diametrically opposed to in a time when America is broke. People are losing their homes and jobs, so why are we giving money to China?'

How have Chinese authorities responded to the criticism? Beijing could respond by simply ending its receipt of aid. This would bring the criticism to a quick end. There would be a clear foreign policy rationale to do so, given that Chinese officials themselves have stated in discussions with the traditional donors that 'China no longer needs the money of the donors'. Instead, the authorities have not expressed any desire for an Indian-style clearing-out of foreign donors, and have tried instead to maintain the status quo. Chinese officials have even shifted recently from merely exercising caution about not sending the message to donors to exit, to becoming proactive in trying to convince the traditional donors to stay. This evolution can be seen in the changing narrative of Chinese officials who administer the receipt of ODA. When the wave of exits first started, the lead

⁴⁹ 'Australia to phase out aid to China, India and boost spending in other regions', *News.com.au*, 6 July 2011, <<http://www.news.com.au/breaking-news/national/australia-to-phase-out-aid-to-china-india-and-boost-spending-in-other-regions/story-e6frku9-1226088763954#ixzz1yRY31Fl6>>, accessed 15 August 2012.

⁵⁰ 'Critics question US aid to China amid debt woes', *FoxNews.com*, 9 August 2011, <<http://www.foxnews.com/politics/2011/08/09/critics-question-us-aid-to-china-amid-debt-woes/>>, accessed 16 August 2012.

Chinese official in the Commerce Ministry who oversaw the receipt of bilateral aid stated rather passively:

China has made significant progress with its reform and opening, and overall development over the past three decades. Although China no longer needs the money of the developed countries in order to secure its own development, China can still learn from the experiences of other countries, including the developed countries. China is secure in its own capabilities and abilities to learn from others, and believes that maintaining ties of international cooperation are important for promoting peaceful global growth and world development.⁵¹

Around the same period, a Chinese Foreign Ministry official suggested that asking the 'foreign donors, who are foreign guests, to leave China would be counter to China's desire for a peaceful rise and harmonious world development, and we therefore wouldn't do it'.⁵²

But the messaging of Chinese officials has become more proactive as the number of exits has started to pile up. At an October 2009 workshop on 'development partnerships' between China and the traditional donors, a division director in the Department of International Economic and Trade Relations of China's Commerce Ministry, added 'need' into the official messaging when he stated during the keynote address that China still had a 'long way to go in poverty reduction' and that, rather than exiting, what was needed was for the foreign donors to 'deepen' their cooperation and exchange with China (see Kang 2009). In March 2010, one of the directors responsible for China's reception of foreign aid stated that 'The support of the foreign donors continues to be helpful to China, and it should not be ended'. The official added, 'This aid is also helpful to the western governments, strategically, for maintaining close strategic links with the Chinese government'.⁵³

Unlike in India, and more recently in Brazil, there does not appear to be any desire on the part of Chinese party or government leaders to ask the traditional donors to leave. For those working to preserve China's identity as a 'developing country', the end of aid programmes would signal the end of Southern status and identity. It is therefore telling that in the section of the White Paper on the 'Distribution of aid', the narrative counters the idea that China's receipt of aid takes away from countries in need, when it states that:

the recipients of China's foreign aid are mainly low-income developing countries. Regarding the distribution of its foreign aid, China sets great store by people's living conditions and economic development of recipient countries, making great efforts to ensure its aid benefits as many needy people as possible.

The White Paper also provides a diagram ('Figure 3: Distribution of China's Foreign Aid According to the Income Level of Recipient Countries in 2009') that shows clearly that the largest portion of China's aid (almost 64 per cent) goes to the 'least developed' (39.7 per cent) and 'other low income' (23.4 per cent) countries.

⁵¹ Author's notes from the meeting of then MOFCOM Assistant Minister Yi Xiaozhun with counterpart Canadian aid officials, Beijing, November 2005.

⁵² Author's discussion with a Chinese Foreign Ministry official, Beijing, 2006.

⁵³ Author's discussion with the responsible MOFCOM official, Toronto, March 2010.

Despite these efforts to counter the view that China is taking away scarce aid from other developing countries, and persuade that China still needs the ODA of the donors, the exits by Western bilateral donors are already underway. Preparations are now ongoing for the next round of exits. The Canadian International Development Agency has decided to exit by spring 2014, and American assistance, which was cut by nearly 20 per cent in 2011 to an estimated US\$37.7 million, is set for further cuts in 2012, which will result in the end of a number of rule of law and environmental protection programmes (Lum et al 2009). As previously mentioned, the EU is preparing to end its grant aid by 2014–2015.

Concluding remarks

This analysis highlights three main points. First, that China has evolved from a net recipient into a net donor. This shift in positioning is remarkable considering that China was one of the largest aid recipients during the 1990s and for the first half of the 2000s. The surge in China's aid-giving over the past decade has been catalysed by its rise as a world economic power, and orchestrated by party and government leaders around a series of high-profile international announcements and strategic partnerships with 'the South'. The result is that China's aid has expanded in terms of both sectors and geography, and it stretches from Asia to Africa and Latin America. At the same time, China's transition to net donor has not been unique; we have seen similar shifts involving Brazil and South Africa and perhaps soon in the case of India. However, within this select grouping, China stands out for the magnitude of its aid—especially when we use a broader conception of Chinese assistance which encompasses grants, interest-free loans *and* assistance-related concessional loans. From this vantage, China is arguably the second- or third-largest aid provider in the world.

Second, we have seen that the CCP leadership and party officials play a key role in guiding and shaping China's aid. The surging waves of Chinese aid have generated a paradoxical scenario that consists of at least three dimensions. Even as China has turned itself into a global economic power, the party leadership has wanted to maintain the nation's self-identification with the South, with the developing world—and it has tried to do so, concretely, by redirecting part of China's accumulated wealth and modernizing expertise back to the developing world. In so doing, Chinese officials have tried to reinforce how China's aid is different from that of the Northern/Western donors. At the same time, however, Beijing has sought to continue to receive aid from the traditional donors. It should not be surprising that it is becoming increasingly challenging for the party elites and government authorities to manage the 'irrationalities' of this situation—especially as real power asymmetries continue to grow between China and its aid recipients. As China's own developmental success and its growth as a donor look to be the trend for the foreseeable future, the procession of Western/Northern donors to the exit door will only continue—even as the multilateral lenders attempt to maintain their operations in China.

Finally, although China's political elite want to continue to 'lay low' internationally, 'focus on building national capacity' and maintain their 'Third World' self-identification, the reality is that simply keeping to the status quo is no longer viable. China's aid recipients and development partners are starting to

press China's political elites to rethink the related structure of their economic relations and, more importantly, are pressing Beijing to rework the arrangements in order to strengthen the longer-term viability ('sustainability') of the economic flows. As part of this adjustment, the recipients of China's aid, its economic partners, are starting to press for more transparency on their economic arrangements with China. The Chinese authorities ought to anticipate that the demand for more transparency will only increase in the future.

In terms of tracking the data on Chinese aid—an ongoing challenge—the publication of the 2011 White Paper does represent an advance on the provision of basic information. However, serious gaps remain in terms of the information that is available on Chinese aid in the public domain, especially the yearly breakdowns on grant aid, interest-free loans and development-related concessional loans from China's large state policy banks. The continuing absence of precise, publicly available and comprehensive data on yearly aid contributions, and the specifics of their distribution per annum, fuels speculation. So does the limited availability of case studies and evaluation results on Chinese development projects in African and elsewhere. The lack of information fuels criticism—some of which may not be warranted. Only more information and knowledge will allow analysts to determine what is accurate. The experience of the traditional donors, as well as China's own experience to date, suggests that China ought to strengthen the *transparency* (openness) and *sustainability* of its aid—norms that Chinese officials have consistently and rightfully called for when dealing with the traditional donors.

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