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**Master's Thesis of Seoul National University**

**Decoding Foreign Aid with Chinese  
Characteristics**

**-Path Dependence of China's Foreign Aid Policy-**

**중국 특색 해외원조 분석  
-중국 해외원조 정책의 경로의존성-**

**February 2020**

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# **Decoding Foreign Aid with Chinese Characteristics**

– Path Dependence of China's Foreign Aid Policy –

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## **Abstract**

China's presence as an emerging donor in foreign aids fascinates different fields of political science and public policy ranging from China's domestic politics to international politics. As an emerging superpower, China characterizes its role in international politics as 'peaceful rise' and gives both rhetorical and substantial contribution to the international community. In order to improve its normative power in international stage, China not only provides foreign aids themselves but also propagates its original ideas and distinctive policies. Previous discourse on China's foreign aids conclude that the aid policies are designed to meet its strategic, commercial, and normative concerns, presuming that the policies are the consequences of the rational calculation of China's political leadership.

By taking a viewpoint from historical institutionalism, this research paper finds that China's foreign aid policies are closely linked to the policies in the previous stages, undermining the assumption of rationality. In Chapter 4, the paper analyzes the key features of China's foreign aid policies after 'peaceful rise' by comparing China's aid ideas and practices from 2003 to 2018 with those of the international aid regime. In Chapter 5, the paper traces historical evolution of China's aid policies from 1949 to 2002, in four different stages divided according to three key historical junctures. In Chapter 6, the paper evaluates the features of

China's foreign aid policies in a pattern of path dependence: while some features of China's aid practices show the pattern of reactive path dependence, key features of China's aid practices and ideas demonstrate the pattern of self-reinforcing path dependence.

Keyword: China's Foreign Aids, Aid with Chinese Characteristics, Path Dependence

Student Number: 2017-21057

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# 1. Introduction

Perhaps there would be no country more willing to contribute to the international community than People's Republic of China. Since the early 2000s, China has officially endorsed the idea of "peaceful rise" to characterize its role in post-cold war international order.<sup>1</sup> Consequently, China provided innovative diplomatic ideas with "Chinese characteristics" to enrich its peaceful rise. In international security, China proposes the concepts of "new types of international relations" to replace "international relations of the Cold War". Specifically, China maintains the nuclear policy of no-first-use, pledge of non-alliance, crisis management of China's method, and "great power responsibility". In international economy, China proposes "five connectivity" and "community of shared future for mankind" through Belt and Road Initiatives.

Undoubtedly, China's most conspicuous role is its ascendancy as a donor in foreign aid. Who was once the largest recipient of the foreign aids from the international community, China has become one of the largest donor of the foreign aids to the international community; it has become one of the largest

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<sup>1</sup> Zheng Bijian (2003), "China's development path is peaceful rise," [zhongguode fazhandaolu shi 'heping jueqi] People's Daily [renmin wang], November 3, 2003; Zheng Bijian (2005), "China's 'Peaceful Rise' to Great-Power Status," Foreign Affairs 84, pp.18-24

among the emerging donors.<sup>2</sup> China disclosed its first official statistics about foreign aids, that it has provided \$41.34 billion in total till 2009 and \$13.7 billion in 2010-12.<sup>3</sup> In official estimate, China's foreign aids increased from \$0.631 billion in 2003 to about \$3 billion in 2018.<sup>4</sup> In different estimates, China's foreign aids increased from \$0.741 billion in 2001 to \$7.1 billion in 2013; \$0.972 billion in 2001 to \$14.1 billion in 2013;<sup>5</sup> and \$5.4 billion in 2001 to \$36.7 billion in 2013.<sup>6</sup> While different methods for estimating China's foreign aids remain disputable, it has a clear rapid, upward trend throughout the beginning of the 21<sup>st</sup> century. By some figures, it is tantamount to the foreign aid of traditional donor

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<sup>2</sup> According to the OECD DAC, emerging donor refers to a donor state, who was a recipient in the Cold War, which provides developmental aid programs to other states by participating in the DAC framework. Countries who make their own developmental aids programs without engaging in the DAC framework are considered as providers of South-South Co-operation. China has become the largest provider of the South-South Cooperation next to Saudi Arabia in 2000. Smith et al (2010), "Beyond the DAC: Welcome Role of Other Providers of Development Co-operation" OECD Development Co-operation Directorate

<sup>3</sup> "China's Foreign Aid (2011)" White Paper from the State Council of the People's Republic of China; "China's Foreign Aid (2014)" White Paper from the State Council of the People's Republic of China

<sup>4</sup> China's foreign aids were 5.2 billion RMB and 20.46 billion RMB respectively in 2003 and 2018. Ministry of the Finance of People's Republic of China, "National budget of 2003 [2003 nian quanguo caizheng quesun]"; Ministry of the Finance of People's Republic of China, "National budget of 2018" [2018 nian quanguo caizheng quesun] (URL: <http://yss.mof.gov.cn/zhengwuxinxi/caizhengshuju/index.html>)

<sup>5</sup> The latter includes export buyers' credits as well as grants and loans in the former. Both estimates are from the same source, Naohiro Kitano and Yukinori Harada (2016), "Estimating China's Foreign Aid 2001-2013," *Journal of International Development* 28, pp. 1050-1074.

<sup>6</sup> Just as the estimates from Kitano and Harada include figures beyond grants and loans, the estimate includes the official development aids commitments as well as the other non-concessional official financing. Dreher, A., Fuchs, A., Parks, B.C., Strange, A. M., & Tierney, M. J. (2017). *Aid, China, and Growth: Evidence from a New Global Development Finance Dataset*. AidData Working Paper #46. Williamsburg, VA: AidData.

including the United States, in which the U.S. Agency for International Development provided \$17.2 billion in 2013.<sup>7</sup>

Indeed, China can best embellish its peaceful rise through propagating material and ideational aid resources to international audience. First, by providing material benefits to the recipient states, China can improve national interests not achieved by traditional means. Many of donors have been promoting strategic and commercial interests by providing bilateral foreign aids.<sup>8</sup>

But more importantly, ideas supporting a donor's foreign aid policy are linked to its normative power in international stage. Although the history of international aid began with strategic concerns of colonialism and the Cold War, ideas supporting developmental cooperation have evolved among advanced economies in the light of ethical reflection of global economic inequality.<sup>9</sup> This might have allowed former colonial states to continue their influence in international institutions and community.

Since China is neither a party to a traditional advanced economy nor modernized democracy, it can maximize its normative influence in international

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<sup>7</sup> "Foreign Aid Explorer" USAID, accessed on November 10<sup>th</sup>, 2018. URL: <https://explorer.usaid.gov/#2013>

<sup>8</sup> Hans Morgenthau (1962), "A Political Theory of Foreign Aid" *The American Political Review* 56:2, pp. 301-309

<sup>9</sup> Jong Hee Park. ed. (2016), *World Politics of Development and Cooperation (Korean)*. (Seoul: Sahoipyungron)

stage by formulating new norms and ideas in an international community. Provided that China's experience of colonialism and the history of economic development can appeal to the rest of developing countries with similar experience, China is an ideal candidate of an engineer of a new international aid policy.<sup>10</sup> By sharing and propagating "certain standards, behavioral codes, and common reference", China could exercise influence over the policy preferences of the other countries.<sup>11</sup>

Yet, mainstream evaluation on China's foreign aid does not seem to be favorable to its characterization of peaceful rise. Some scholars view that China's foreign aid policy is intended for its energy diplomacy. In exchange for building socioeconomic infrastructure, China gains access to the natural resources in underdeveloped countries. Some criticize that China's developmental cooperation benefits its own firms dispatched to developing countries rather than fostering their national economy and native firms. Still others denounce China of building infrastructure for ceremonial purpose and propping up autocratic leaders in developing countries. They are rebutted by the scholars maintaining that

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<sup>10</sup> Iain Watson (2013), "Beyond Effectiveness?: Private and Public Partnerships in South Korea's Official Development Assistance (ODA) Strategy as Soft Power Strength and Weakness" *International Studies Review* 14:1, pp. 91-124

<sup>11</sup> Geun Lee (2009), "A theory of soft power and Korea's soft power strategy" *The Korean Journal of Defense Analysis* 21:2, pp. 205-218

China's policy in foreign aid is indifferent to that of traditional donor and that China's distinctive role might be helpful for development of recipients.

Hence, this paper analyzes the key features of China's foreign aid policy after the peaceful rise by comparing them with those of the international aid regime. Subsequently, it examines the historical development of China's aid policy and analyzes how and why China's ideas and practices were not significantly altered from its historical origins to accommodate those of the international regime in the current stage. Some facets of the aid policy clearly stand out in the international audience: but what is considered to be the Chinese 'new' characteristics in the international aid policy can be traced back to its 'old' principles. Incongruity between China's official calls for its distinctiveness and its actual practice shows a paradox where China's search for new international aid policy is limited to the current international aid regime and China's old ideas. This can be better explained in a theoretical framework from historical institutionalism and the concept of path dependency. The paper concludes with the remarks on how China's diplomatic innovation in the international aid policy would serve for China's interests in the international stage.

### **Research Question**

Despite China's efforts to reconfigure its normative power by criticizing the old concepts of traditional donors and innovating new Chinese ideas, how and why does China accommodate its old Chinese concepts?

## **2. Literature Review**

Expansion of China's foreign aids after the declaration its 'peaceful rise' fascinates students of the international aid, international security, international order, Chinese politics and public policy. Thus, previous discourse on China's foreign aids are exhaustive. They can be classified into four groups: tracking the volume of China's official flows to recipient states, analyzing the motives of China's foreign aids in different dimensions, evaluating the effects of China's foreign aids to recipient state and societies, and comparing the norms and practices of China's foreign aids with those of other donors.

Since China had only recently published official statistics and policy paper on its foreign aid policy in the form of white paper, a number of researchers focus on tracking the volume and the actors of China's foreign aids. Deborah Bratigam made pioneering research on tracing the official flows of China's foreign aids in

Africa in her book “The dragon’s gift: the real story of China in Africa” (2009).<sup>12</sup> Kitano (2014) constructs database of China’s ODA by arduously adding ODA-like flows and subtracting non-ODA flows to China’s official statistics.<sup>13</sup> On top of this, Dreher et al (2017) developed the most sophisticated method to trace China’s foreign aids in the entire world through “Tracking Underreported Financial Flows (TUFF) Methodology” which collects primary data from 33,000 media resources in 28 languages to construct database.<sup>14</sup> There are different estimates of how much China delivers aid to recipient states. Most of them, however, agree that the flows of China’s foreign aids are variegated, consisting of ODA, OOF, and others including export credits.

Much of the research analyze strategic motives of China’s foreign aids including political and commercial intents. Dreher and Fuchs (2015) find that Chinese aids are more diplomatic, political than commercial, humanitarian. Throughout 1956 to 2006, the recipients of the Chinese foreign aids are correlated to China’s voting behavior in the United Nations General Assembly and the recognition of ‘One

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<sup>12</sup> Deborah Brautigam, *The Dragon’s Gift: the real story of China in Africa* (Oxford: Oxford University Press, 2009)

<sup>13</sup> Specifically, Kitano added student scholarships for students from developing countries, interest subsidies for concessional loans, and expenditure to the multilateral institutions, and subtracted military aids, export credit, and other non-concessional loans. For details, see Naohiro Kitano (2014), “China’s Foreign Aid at a Transitional Stage,” *Asian Economic Policy Review* 9, pp. 301-317

<sup>14</sup> Dreher et al (2017), “Aid, China, and Growth: Evidence from a New Global Development Finance Dataset,” AidData Working Paper #46, Williamsburg, VA: AidData

China Principle'.<sup>15</sup> Fuchs and Rudyak (2017) points out that China seeks to improve diplomatic “mutual benefit” through political, commercial, and humanitarian aids.<sup>16</sup>

Furthermore, the Chinese aids are commercial. Dreher et al (2018) find that although Chinese ODAs are political, Chinese OOFs, which take tantamount proportion of overall foreign aids, are correlated to natural resource endowments of recipient states.<sup>17</sup> Analysis on domestic actors substantiates this position. Varrall (2016) highlights inter-department competition between the Ministry of Foreign Affairs and the Ministry of Commerce, where the latter has greater power in decision-making process.<sup>18</sup> Zhang and Smith (2017) underscores the role of provinces, businessmen, and contractors, remarking that “tail of China’s aid system often wags the dog”.<sup>19</sup>

China’s participation in foreign aids ignites controversy among the students of international developmental aids. In general, China’s foreign aids are criticized

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<sup>15</sup> Axel Dreher and Andreas Fuchs (2015), “Rouge aid? An Empirical Analysis of China’s Aid Allocation” *Canadian Journal of Economics* 48:3, pp. 988-1023

<sup>16</sup> Fuchs and Rudyak, “The Motives of China’s Foreign Aids” in Ka Zeng eds., *Handbook of the International Political Economy of China*, (Cheltenham: Edward Elgar Publishing, 2019) pp. 394-403

<sup>17</sup> Dreher et al (2018), “Apples and Dragon Fruits: The Determinants of Aid and Forms of State Financing from China to Africa” *International Studies Quarterly* 62, pp. 182-194

<sup>18</sup> Merriden Varrall (2016), “Domestic actors and agendas in Chinese aid policy,” *The Pacific Review* 29:1, pp. 21-44

<sup>19</sup> Zhang and Smith (2017), “China’s foreign aid system: structure, agencies and identities,” *Third World Quarterly* 38:10, pp. 2330-2346

for overtly promoting national interests for the sake of the development in recipient states. Lately, China's foreign aids are known to bankrupt developing countries by "making an offer they cannot refuse".<sup>20</sup> Even a popular Chinese academic figure had recently commented that the Chinese foreign aid is "beyond its capability (不自量力)" and that the budget is being "dissipated recklessly (随便乱花)".<sup>21</sup> Criticism of China's foreign aids can be traced back to Naim (2007) when he referred it to be a "rouge aid", lacking accountability and transparency mechanism for development.<sup>22</sup> Yun Sun (2014) summarizes that there are two negative impacts of China's foreign aids. With so-called 'Angola Model', China secures natural resources of recipient states as collateral, thereby improving China's commercial and strategic interests while contributing nothing. Since Chinese aids are tied to the Chinese firms investing in recipient states, they do not improve the economic capabilities of the native firms.<sup>23</sup>

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<sup>20</sup> "China makes Pakistan an offer it cannot refuse," The Economist, July 22, 2017, <https://www.economist.com/special-report/2017/07/22/china-makes-pakistan-an-offer-it-cannot-refuse>

<sup>21</sup> Zhangrun Xu, "Imminent Fears, Immediate Hopes," 2018. Original texts available in different versions due to China's censorship. For Chinese, <https://medium.com/@luoguo3/%E8%AE%B8%E7%AB%A0%E6%B6%A6-%E6%88%91%E4%BB%AC%E5%BD%93%E4%B8%8B%E7%9A%84%E6%81%90%E6%83%A7%E4%B8%8E%E6%9C%9F%E5%BE%85-3fe0871c082c> and for English translation, <http://chinaheritage.net/journal/imminent-fears-immediate-hopes-a-beijing-jeremiad/>

<sup>22</sup> Moises Naim (2007), "Rouge Aid," Foreign Policy 169, pp. 95-96

<sup>23</sup> Yun Sun (2014), "China's Aid to Africa: Monster or Messiah?" Brookings East Asia Commentary

On the other hand, others view that China's foreign aids are not significantly differentiated with those of traditional donors. Brautigam (2011) viewed that despite the minor differences between the aids from China and traditional donors, the narrow definition of the Official Development Aid (ODA) led others to understate the similarities and overlook the development elements of the Chinese aids to Africa.<sup>24</sup> Earlier, she even suggested that the political economy of China's foreign aids is learned from Japan.<sup>25</sup> Kitano also takes different viewpoint, arguing that China's aids are accompanied with the foreign direct investments, allowing effective development in recipient states.<sup>26</sup> He even takes the view that there is a conforming trend towards international norms and practices; China has increased substantial amounts of concessional loans and China was the 9<sup>th</sup> largest ODA donor in the world.<sup>27</sup> He also briefly examines China's normative compliance to the international development agenda in 13<sup>th</sup> Five-Year Plan.<sup>28</sup>

Still others view that China's foreign aids are constructive and even complementary to those of traditional donors. In contrast to the western view on

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<sup>24</sup> Deborah Brautigam (2011), "Aid with Chinese Characteristics: Chinese Foreign Aid and Development Finance Meet OECD-DAC Aid Regime" *Journal of International Development* 23, pp. 752-864

<sup>25</sup> Brautigam, 2009.

<sup>26</sup> Naohiro Kitano (2014), pp. 301-317

<sup>27</sup> Naohiro Kitano (2017), "A Note on Estimating China's Foreign Aid Using New Data: 2015 Preliminary Figures" JICA Research Institute

<sup>28</sup> Naohiro Kitano (2018), "Estimating China's Foreign Aid Using New Data" in *International Development Studies Bulletin* 49:3, pp. 49-72

China's aids, Sautman and Yan (2009) view that African perspective on China's foreign aids are positive.<sup>29</sup> Babaci-Wilhite et al (2013) even went further to evaluate that Chinese ideas in international development cooperation can successfully replace the current aid architecture.<sup>30</sup> Through quantitative analysis, Dreher et al (2017) found that the Chinese foreign aids do not interfere with the aids from the traditional donors nor slow down the regional economic development.<sup>31</sup>

Previous discourse on China's foreign aids have two problems. First, analysis of China's foreign aids are made out of the direct comparison between China's foreign aids and the ODA of the traditional donors, which naturally lead into the conclusion that China's aids deviate from the norms and the practices of advanced economies. This is mainly due to the paucity of data of China's foreign aids. Since the definition of the ODA is straight forward, some scholars delve into the database to reconfigure 'ODA-like' flows of China's foreign aids. Although there are few works for comparing the foreign aids of China and the

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<sup>29</sup> Sautman and Yan (2009), "African Perspectives on China-Africa Links," *China Quarterly* 199, pp. 728-759

<sup>30</sup> Babaci-Wilhite et al (2013), "China's Aid to Africa: competitor or alternative to the OECD aid architecture?" *International Journal of Social Economics* 40:8, pp. 729-743

<sup>31</sup> Dreher et al (2017)

U.S., the comparison is irrelevant to the international norms and practice as the foreign aid policy of the U.S. is exceptional to the mainstream OECD DAC states.

Alternative approach to this problem is to draw a comparison between China's foreign aids and those of traditional donors. Provided that ODA is merely a desired form of foreign aid as defined by the OECD DAC, it is worthwhile to analyze foreign aids in totality for the evaluation of a state's foreign aid policy. Since the statistics of foreign aids are available for the most of the advanced economy, the probability of errors are likely to be lower for the comparison among the foreign aids than the ODAs.

Second, with China's new ascendancy as a donor in a new century, scholarly works on China's foreign aids primarily focus on how China's role is 'new' and 'distinctive'. This phenomenon is prevalent irrespective of viewpoint and approach. As an 'official' scholar from Party School, Zhang (2006) suggests that China's foreign aids are linked to China's benevolence in its traditional culture.<sup>32</sup> On the other hand, cynical pundits and scholars make harsh criticism on China's foreign aid policy with an emphasis on China's distinctive approach to foreign aids. Even the historical researchers tend to focus more on the changes in critical

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<sup>32</sup> Zhang Youhui (2006), "Research in China's Foreign Aids," (in Chinese) [zhongguo duiwaiyuanzhu yanjiu] Central Party School of Communist Party China PhD Dissertion, pp. 39-45

junctures. Recent work by Morgan and Zheng (2019) pinpoint that the “major change” has occurred with reforms of China’s aid institutions in mid-1990s as material interests arise.<sup>33</sup>

Although it may be true, there are two alternative perspectives in analyzing China’s role in international developmental cooperation. First, China may be another traditional donor. Although China is ruining the current international ideas and practices of foreign aid, it is possible to expect China to conform to the international standard of these in near future. Time heals all wounds. As did the traditional donors prior to the emergence of international aid regime, China will eventually learn how to adopt universal values and take shoulders with traditional donors in taking responsibility. Neoliberal institutional approach as such was suggested by contributors including Brautigam and Kitano.

Second, China may be repeating its own traditional ideas and practices. Whether it be harmful or not, China’s distinctive ideas and practices could be found in China’s contemporary history. Indeed, China is repeating the same rhetoric of mutual benefits, non-conditionality, and non-interference regardless of the changing discourses in international development cooperation. In many historical cases, China had supported by-then anti-imperialist regimes with foreign aids

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<sup>33</sup> Morgan and Zheng (2019), “Old Bottle New Wine? The evolution of China’s aid in Africa 1956-2014,” *Third World Quarterly* 40:7, pp. 1283-1303

who has turned into authoritarian regime today. Considering the consistency of China's institutional mechanism including structure, actors and identities, it is possible for China to continue same practices and norms with fine-tuning.

On top of this, Pippa Morgan contributes to China's foreign aid literature by explaining China's policy with relationality theory and social capital.<sup>34</sup> Morgan (2018) showed that ideology played a major role in deciding China's foreign aids to Africa in Mao era and that its historical solidarity is correlated to disbursements of China's foreign aids today. With the case studies of Tanzania and Zambia presented, the author argues that "contemporary Chinese policymaker's choices are conditioned by the historical relations built with African states during the Mao era".<sup>35</sup> Morgan (2019) relates this to economic theory, concluding that social capitals built between China and its recipient states fostered China's investment in recipient states.

Since Morgan's research is primarily based on quantitative research restricted to Africa, however, it does not fully grasp the entire landscape of China's foreign

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<sup>34</sup> Pippa Morgan (2018), "Ideology and Relationality: Chinese Aid in Africa Revisited," *Asian Perspective* 42, pp. 207-238; Pippa Morgan and Yu Zheng (2019), "Tracing the Legacy: China's Historical Aid and Contemporary Investment in Africa," *International Studies Quarterly* 63, pp. 558-573

<sup>35</sup> Morgan (2018), pp. 231

aids. By expanding the theoretical framework and the objects of the analysis, the research of foreign aid with Chinese characteristics can be improved even further.

### **3. Analytical Framework**

#### 3-1. Research Methodology

##### 3-1-1. Definition

Aid delivered from a donor to a recipient state is defined in a fuzzy manner and is often referred as foreign aid, international aid, external aid, official aid, economic assistance, and external assistance. Although aid and assistance can be used interchangeably, this research paper limits the technical terminology to ‘aid’. Every adjective added to ‘aid’ has different connotation, but it can be narrowed down to three major definitions: official developmental aids (ODA), foreign aids, and international aids.

First, Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) defined the ‘ODA’ as an official finance flow from donor state to the recipients and the multilateral organizations with an aim to promote “economic development and welfare of

developing countries” through grants or concessional loans.<sup>36</sup> Three implications are made in this definition: to be counted as an ODA, it must be disbursed by the public sector (usually the central government) of the economy; its object must be economic development and welfare of recipient state; it must be delivered in terms of grants or concessional loans.

ODA is a narrow definition of its broader concept, the ‘foreign aid’. It includes the aid projects with non-economic objective including the military aids and the aid modality without grant elements including export buyers’ credit and non-concessional loans. Nevertheless, foreign aid is an official finance flow from a donor to a recipient and excludes private finance flow such as foreign direct investment. Therefore, it can be used interchangeably with the concepts such as Other Official Flows (OOF) and non-ODA aids.

The literal meaning of the ‘international aid’ refers to a delivery of an aid from a nation to another nation. Although this sounds similar to the former definition, the foreign aid, this misleads the reality of the aid industry: rather than delivered from a government to another government, substantial amounts of the aids today are delivered to non-governmental or civil society organizations in donor and a

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<sup>36</sup> Technical definition on different types of loans are available at “Official Development Assistance – Definition and Coverage,” OECD Development Finance Statistics, <https://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>

recipient states, which will be analyzed in details in the following chapters. For this reason, the usage of the terminology is discarded. Nevertheless, it must not be confused with the ‘international aid regime’ a different terminology referring to an international regime designated for coordinating the foreign aid policy of the donor states.

China is neither a party to the OECD nor OECD DAC. Till 1971, China was not even a part of the United Nations (UN). Therefore, it is indispensable for us to analyze China’s foreign aid in totality and include the non-ODA flows in the research. This is warranted for three reasons. First, non-ODA flows were predominant form of foreign aid in the early period of the international aid regime. Second, non-ODA flows are still dominant in some OECD DAC states. Third, the research question of the paper inquires how China changed the foreign aid policy over the time and it is our research interest to analyze China’s foreign aid in a broader theme. Therefore, this research paper defines ‘foreign aid’ as an official economic flow from a donor to a recipient state, including ODA and OOFs.

### 3-1-2. Object of analysis

The history of the China's foreign aids coincides with the history of the U.S. foreign aids as well as the international development aids by the traditional donors. The discussion could start well before the contemporary era. Just as how the traditional donors began to provide foreign aids to the colonies prior to the World War II, there is a history of China's foreign aids prior to the foundation of People's Republic of China. If we go way far to take China's tributary system as a traditional way of providing aids to its suzerain states, it would also count as an international aid in pre-modern era. But it remains controversial whether it was a pattern of trade or an aid. Considering that the major interest of the research lies on China's foreign aid policy today, tributary system in a pre-modern era could be irrelevant to the research. Therefore, this research limits the time frame from the foundation of a modern Chinese state in 1949 to this date, 2019.

Previous discourse on China's foreign aid policy reaches an agreement that there is no reliable source for quantitative data of China's recent foreign aids. Only recently did China disclose its first official statistics in regard to the foreign aids: two White Papers of State Council published in 2011 and 2014.<sup>37</sup> Yet, they

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<sup>37</sup> "China's Foreign Aid (2011)" White Paper from the State Council, April 21, 2011, [http://english.www.gov.cn/archive/white\\_paper/2014/09/09/content\\_281474986284620.htm](http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm) (accessed on November 3, 2019); "China's Foreign Aid (2014)" White Paper from the State Council, July 10, 2014,

provide superficial information of China's aid policy from unspecified time to 2009 and from 2010 to 2012, respectively. Therefore, the statistics on China's aid policy were substantiated with the AidData, which covers China's foreign aids from 2003 to 2014, the information provided by Kitano from 2003 to 2018, and those provided by the National Bureau of Statistics from 2003 to 2014.<sup>38</sup>

Qualitative data, on the other hand, is quite resourceful though not necessarily accurate. They include two White Papers of the State Council in 2011 and 2014 and China's official statements in regard to the foreign aid policy such as Hu's Five Measures (2005), Eight-Point Plan (2006), Wen's Six Measures (2008), New Eight-Point Plan (2009), Wen's New Six Measures (2010), Action Plans of the Forum on China-Africa Cooperation (FOCAC), and the Regulation of China International Development Cooperation Agency (CIDCA). These resources give information on specific details and policy directions of China's foreign aids.

Even more tricky part of the research is probing China's foreign aid policy in the past. Primary data during this period is either lost or classified in China. Therefore, it is inevitable to investigate China's foreign aid policy in the lens of the expertized third party or those who have an access to such information.

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[http://english.www.gov.cn/archive/white\\_paper/2014/08/23/content\\_281474982986592.htm](http://english.www.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm)

(accessed on November 3, 2019)

<sup>38</sup> Dreher et al (2017); National Bureau of Statistics of China, <http://www.stats.gov.cn/> (accessed on November 3, 2019)

Secondary sources include “Analysis on China’s Foreign Aids” (2006) by Zhang Yuhui, *The Dragon’s Gift: the real story of China in Africa* (2009) by Deborah Brautigam, *China’s Foreign Aid and Investment Diplomacy* (2015) by John Franklin Copper, *China’s Foreign Aid: 60 Years Retrospect* (2015) by Zhou Hong, *China’s Aid to Africa – Does Friendship Matter?* (2017) by Zhangxi Cheng and Ian Taylor, and other research articles in specific details of China’s foreign aids.<sup>39</sup>

### 3-1-3. Method of Analysis

For the comparative analysis of China’s foreign aid policy and that of the international aid regime, this paper introduces the concept of international standard of the international development. The existing literature focuses on the behaviors of donors based on the actual aid practice including aid commitments, forms and types of aid modality and flow to the recipients.<sup>40</sup> Although studying for ‘aid practice’ is effective in probing the past patterns of a donor, it does not fully grasp the policy direction. As an alternative, studying for ‘ideas’ of a donor’s policy can be useful in analyzing the overall policy direction, allowing

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<sup>39</sup> Zhang Youhui (2006), *ibid*; Brautigam (2009), *ibid.*; John F. Copper (2015), *China’s Foreign Aid and Investment Diplomacy, Volume I, II, III* (London: Palgrave Macmillan); Zhou Hong (2015), *China’s Foreign Aid: 60 Years Retrospect* (Singapore: Springer); Cheng and Taylor (2017), *China’s Aid to Africa – Does Friendship Matter?* (London: Routledge)

<sup>40</sup> Alesina and Dollar (2000), “Who Gives Foreign Aid to Whom and Why?” *Journal of Economic Growth* 5:1, pp. 33-63

researchers to gain insights in prospective policies. Therefore, this paper seeks to analyze both the ‘ideas’ and ‘practices’ of China’s foreign aid and those of the international aid regime.

First of all, the ‘international standard of aid ideas’ refers to implicit and broader code of conduct which reflects an understanding of international community in formulating a foreign aid policy. This is explicitly defined in the Paris Declaration for Aid Effectiveness (2005), Accra Agenda for Action (2008), Busan Partnership for Effective Development Cooperation (2012), and the 2030 Agenda for Sustainable Development (2015). The international standard of aid ideas can be summarized into five general principles.

First, the international aid regime has comprehensive understanding of development. Although the concept of development was confined to the economic development in the past, the regime defines development in terms of sustainable development, social development, political development, and individual development in freedom. In particular, commitments to comprehensive development are well defined in the 17 goals of the 2030 Agenda

for Sustainable Development, ranging from poverty reduction to gender equality and from industrial development to environmental protection.<sup>41</sup>

Second, the regime emphasizes the recipient ownership in developmental policy aided by donors. In contrast to unidirectional approach of donor's leading role, the regime calls recipient governments to participate and lead the developmental policies, and thus strengthen their capacity of governance. In Paris Declaration for Aid Effectiveness (2005), states agreed that aids must be aligned with "priorities, systems, and procedures" of recipients to enhance their "institutional capacities".<sup>42</sup> In Accra Agenda for Action (2008), aid policies must be adopted with "wider participation in development policy formulation" and "stronger leadership" on aid coordination.<sup>43</sup> This was repeated in Busan Partnership for Effective Development Cooperation (2011) which called developing countries to "define the development model that they want to implement" and donor states to "use and support" the "public financial management system" of a recipient state.

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<sup>41</sup> Goal 1 to Goal 5 are related to social and human development and Goal 6 to 7 and 12 to 15 are about sustainable economic development while only Goal 8 to Goal 11 are about traditional definition of economic development. "Transforming our World: The 2030 Agenda for Sustainable Development" (URL: <https://sustainabledevelopment.un.org/post2015/transformingourworld>) (accessed on November 12, 2019)

<sup>42</sup> Paris Declaration on Aid Effectiveness (2005), p. 1 (URL: <https://www.oecd.org/development/effectiveness/34428351.pdf>) (accessed on November 12, 2019)

<sup>43</sup> Accra Agenda for Action (2008), p. 15 (URL: <https://www.oecd.org/development/effectiveness/34428351.pdf>) (accessed on November 12, 2019)

It concluded that “indicators and goals” must be defined in respect to a state’s “own priorities”.<sup>44</sup>

Third, the regime calls to manage the results by adopting mechanism for evaluating foreign aids. This includes domestic mechanism designed by a recipient and a donor and multilateral mechanism attended by a group of recipients and donors. Efforts to transform the conventional methods of conditionality were first brought up in Paris Declaration. Whereas the recipients are expected to establish “results-oriented reporting and assessment frameworks”, the donors are encouraged to harmonize their “monitoring and reporting requirements” with recipient states, in order to avoid “fragmentation of aid at global, country or sector level”.<sup>45</sup> In Accra Action Plan, a donor and a recipient are encouraged to “jointly assess” the system and institutions of a recipient, and donors are expected to “improve the complementarity of donors’ efforts” by improving “allocation of resources within sectors, countries, and across countries”.<sup>46</sup> Busan Partnership for Effective Development Cooperation also called to adopt and deepen “mutual assessment reviews” and “mutually agreed diagnostic tools”.<sup>47</sup> The 2030 Agenda for Sustainable Development stresses on

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<sup>44</sup> Busan Partnership for Effective Development Cooperation (2011), p. 3 (URL: <https://www.oecd.org/dac/effectiveness/49650173.pdf>) (accessed on November 12, 2019)

<sup>45</sup> Paris Declaration on Aid Effectiveness (2005), pp. 6-7

<sup>46</sup> Accra Agenda for Action (2008), pp. 17-20.

<sup>47</sup> Busan Partnership for Effective Development Cooperation (2011), p. 5

the role of multilateral forum within the United Nations framework to “overseeing a network of follow-up and review processes”.<sup>48</sup>

Fourth, the regime invites the non-state actors to participate in the developmental cooperation. In Accra Action Plan, civil society organization was designated as an “independent development actor” to complement “governments and private actors”.<sup>49</sup> In Busan Partnership for Effective Development Cooperation, “civil society, the private sector and other actors” are invited as “an integral part of a new and more inclusive development agenda”.<sup>50</sup> In the 2030 Agenda for Sustainable Development, “civil society” and “private sector” are considered to be a “stakeholder” and a part of “Global Partnership” for full implementation of the agenda.<sup>51</sup>

Fifth, the regime calls to enforce mutual accountability and transparency among the donors, recipient state and recipient society in order to strengthen transparency and the accountability of the foreign aid projects. In Paris Declaration, recipients are expected to “involve a broad range of development partners” when “formulating and assessing progress in implementing national development strategy” and donors are expected to provide “timely, transparent

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<sup>48</sup> The 2030 Agenda for Sustainable Development (2015), p. 38

<sup>49</sup> Accra Agenda for Action (2008), pp. 18-19

<sup>50</sup> OECD DAC (2012), Busan Partnership for Effective Development Cooperation, p. 4

<sup>51</sup> The 2030 Agenda for Sustainable Development (2015), p. 32

and comprehensive information on aid flows”.<sup>52</sup> Specifically, Accra Action Plan proposes to “facilitate parliamentary oversight”, ensure “mutual assessment reviews” and “jointly review and strengthen existing international accountability mechanisms, including peer review with participation of developing countries”.<sup>53</sup> Busan Partnership for Effective Development Cooperation reiterated that “parliaments and local governments” are expected to enhance “participation and accountability at the sub-national levels”.<sup>54</sup>

For the OECD DAC member states, the comparison between the aid ideas of international standard and a donor can be easily drawn by assessing the OECD evaluation papers. Since China is not an OECD DAC member state, however, the comparison between the international standard and China’s norms must be drawn from carefully by analyzing the official documents and the secondary sources.

Secondly, the ‘international standard of aid practice’ refers to an explicit code of conduct which reflects an understanding of international community in regard to the international developmental aid. This can be uncovered in a set of indicators that shows an overall aid flow from a donor to a recipient. As such, Hjertholm and White (2000) utilizes ODA/GNP target, grant elements of total

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<sup>52</sup> Paris Declaration for Aid Effectiveness (2005), p. 8

<sup>53</sup> Accra Agenda for Action, p. 20

<sup>54</sup> Busan Partnership for Effective Development Cooperation (2011), p. 6

disbursements, aid tying, and Least Developed Countries (LLDC) share to assess the OECD DOC states' conformity to the international norms from 1981 to 1997.<sup>55</sup> Similarly, Hook and Rumsey (2016) analyze OECD donors' compliance to the aid regimes through assessing ODA/GNP target, grant elements of total disbursements, aid tying, and the Less Developed Countries (LDC) share.<sup>56</sup> By adding some of the more concepts in regard to the practices of foreign aid policy, the international standard of aid practices can be reconfigured into three criteria and five targets.

First, the international regime calls the states to commit themselves in foreign aids by proposing the target of state's budgetary aid commitments in relative term to its overall economic capacity. Specifically, the international regime's ODA/GDP target has been 0.7% since 1969.<sup>57</sup> This target was repeated in the 2030 Global Agenda for Sustainable Development.<sup>58</sup>

Second, the regime proposes that aid modality must be adjusted in a way to minimize costs incurred to a recipient state by a donor. Donors are expected to

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<sup>55</sup> Hjertholm, Peter and Howard White (2000), "Foreign Aid in Historical Perspective: Background and Trends," in Finn Tarp (eds.), *Foreign Aid and Development: Lessons Learnt and Directions for the Future* (London: Routledge)

<sup>56</sup> Hook and Rumsey (2016), "The Development Aid Regime at Fifty: Policy Challenges Inside and Out," *International Studies Perspectives* 7:1, pp. 55-74

<sup>57</sup> Lester Pearson (1969), "Partners in Development: Report of the Commission on the International Development," World Bank Group

<sup>58</sup> The 2030 Agenda for Sustainable Development, p. 30

increase their grant elements to 86% of their total ODA since 1978.<sup>59</sup> Moreover, states are encouraged to untie their aids to domestic firms, thereby minimizing their commercial interests in the delivery of foreign aids. Since 2001, the target to untie the aids has been 60%.<sup>60</sup>

Third, the regime requires the states to adjust the aid flow of the donors. Since 1985, the LDC/GDP share, the relative aid flows to the least developed countries, has been 0.15%, on the grounds that foreign aids must be directed to those who desperately need them.<sup>61</sup> Furthermore, the regime calls to provide aids through multilateral institutions than bilateral channels, since it minimizes a state's strategic interests and contributes to aligning and harmonizing international aids with other donor states.

China's degree of conformity, however, cannot be drawn by a simple comparison of China's data on foreign aids and the international targets. First, although the data primarily deals with a state's ODA commitments, China's disbursements of ODAs are not accurate. Accordingly, ODA-like flows of

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<sup>59</sup> "OECD Recommendation on Terms and Conditions of Aid," February 28, 1978. (URL: [https://www.oecd.org/dac/DAC\\_Recommendation\\_on\\_terms\\_and\\_conditions\\_of\\_aid.pdf](https://www.oecd.org/dac/DAC_Recommendation_on_terms_and_conditions_of_aid.pdf)) (accessed on November 10, 2018)

<sup>60</sup> "2001 DAC Recommendation on Untying Official Development Assistance," OECD Legal Instruments

<sup>61</sup> "Implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries of the United Nations," UNGA 40<sup>th</sup> Session Resolution 205 (A/RES/40/205).

China's foreign aids are compared to the international targets and substantiated with China's foreign aid flows in totality. In other words, comparisons are made between China's ODA-like flows and international target, and China's foreign aid flows and respective international target. Second, provided that even the OECD DAC states fail to meet these standards, research must analyze the overall trend of conformity of China's foreign aids. Therefore, the comparative analysis is substantiated by analyzing China's trend as well as those of OECD DAC states. For instance, because there is no international standard agreed upon the flow to multilateral institutions, the research compares China's conformity based on the annual average of OECD donors, 38.59%.<sup>62</sup>

### 3-2. Theoretical Framework

The patterns and structure of a state's foreign aid are usually understood using three theoretical frameworks of international relations: realism, liberalism, and constructivism. Realists believe that the foreign aid policy is a way to "promote national interests not achieved by traditional means".<sup>63</sup> Most notably, strategic motives of the foreign aid policy are best pronounced by that of the U.S. In a

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<sup>62</sup> Since there is no specific target for the commitments to the multilateral aid agreed upon by the international institutions, this research sets up the international standard of multilateral aid flow to be the average of the OECD DAC donors in 2000-2017. The average of the total aid disbursement to the multilateral institutions in the same period was 29.55%. "OECD Official Statistics" (URL: <https://stats.oecd.org/viewhtml.aspx?datasetcode=TABLE1&lang=en>) (accessed on November 10, 2018)

<sup>63</sup> Morgenthau (1962), *ibid.*

liberalist viewpoint, foreign aid policy is designed to enhance mutual economic interactions and absolute gains. Commercial interests are best represented in the foreign aid policy of Japan and France. Constructivists put emphasis on the intersubjectivity of the ideas and the policy, interpreting a state's foreign aid policy as a result of a state's renewed identity as an international stakeholder. Humanitarian interests of a foreign aid policy are characterized in the foreign aid policy of Nordic states and the United Kingdom.<sup>64</sup>

By collaborating with the frameworks of international relations, the foreign aid is analyzed as an effective foreign policy tool to improve state security, commercial, and normative interests. Such an approach allows researchers to trace an intricate link between diplomacy and the foreign aid. This is extremely helpful in understanding the historical narratives of the international development aid since the cold war. When the strategic concerns dominated the policy circles in the west in the early cold war, the international aid was presented as a solution to balance power against the Soviet Union. With the waves of neoliberalism and the direct economic engagement of a donor state, the developmental aid was rephrased as a tool to 'restructure' economic system of a recipient state in 1970s and 1980s. Led by the ideas and values by the West, the foreign aid was

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<sup>64</sup> Alesina and Dollar (2001), *ibid.*

reinterpreted as an international developmental aid to combat with rising international challenges. Depending on different gravity of concerns of a state, the focus of a foreign aid policy belongs to one of three categories.

Although traditional method shed lights on the patterns and the structure of foreign aid in terms of motives and intention, it calls upon two questions on methodology. First, is it identifiable with a single cause? Instead of generalizing them at once, motives of the foreign aid policy in different countries are variegated with different security, commercial, and normative interests. Since they can achieve different strategic goals at once, foreign aid policies are vigorously utilized in advanced economies. Similarly, with globalizing international cooperation in non-traditional security affairs, growing economic interaction and interdependence, and internationalizing norms and values, different national interests today are increasingly converging at the foreign aid policy. In other words, it is difficult for one to claim that a state's foreign aid policy is dominated by one single factor when it can make contribution to different stakeholders at once.

Second, is foreign aid necessarily a result of foreign policy consideration? Foreign policy is a specific form of public policy in terms of domestic political cleavage, decision-making procedures and the boundedness of the choices.

Applying the same standards, foreign aid policy shares more similarities with general public policies than foreign policy in specific. First, since the decisions in regard to foreign aid policy are related to state budget, the actors and the audience of the political cleavage are similar to those of domestic political cleavage. In a similar vein, an ideological orientation of the foreign aid policy is identifiable.<sup>65</sup> Second, decisions regarding foreign aid involve not only the diplomats but also the bureaucrats and representatives from different professional fields including commerce, trade, finance, and state budget. Thus, the central government's role of mediating different interests and setting policy goals needs to be considered in policy analysis. Third, in comparison to foreign policy, the policy choices of the foreign aid are less bounded by the international power structure and dynamics. Instead, they are more likely to be bounded by domestic actors and domestic economic conditions.

As an alternative, the school of historical institutionalism could provide insights on foreign aid policy as a public policy. Institutionalists believe that formal and informal institutions influence decision-making process and public policy through "a variety of mechanisms that constituted actors and constrained their

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<sup>65</sup> Brech and Potrafke (2014), "Donor Ideology and Types of Foreign Aid," *Journal of Comparative Economics* 42, pp. 61-75; Dustin Tingley (2010), "Donors and Domestic Politics: Political Influences on Foreign Aid Effort," *The Quarterly Review of Economics and Finance* 50:1, pp. 40-49

behavior”.<sup>66</sup> In other words, “institutions shape the goals” that “political actors pursue” and “the way they structure power relations among them”.<sup>67</sup> Combined with historical narratives, historical institutionalists examine “how temporal processes and events influence the origin and transformation of institutions that govern political and economic relations”.<sup>68</sup>

There are different ways in which the design and the patterns of public policy are affected by the historical institutions. Midrange theorists focus on an intermediate institution bridging between the state and the society and “highlight broad cross-national regularities and narrower accounts of particular national cases”.<sup>69</sup> Punctuated equilibrium model posits that “institutions are characterized by long periods of stability, periodically punctuated by crises that bring about relatively abrupt institutional change, after which institutional stasis again sets in”.<sup>70</sup> Conran and Thelen borrow the concepts from the rational choice institutionalists to show different factors for institutional change: cognitive limitations of political actors, conflictual interests of political actors and political

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<sup>66</sup> Fioretos et al (2016), *Oxford Handbook of Historical Institutionalism* (Oxford: Oxford University Press), p. 5

<sup>67</sup> Steinmo et al (1992), *Structuring Politics: Historical Institutionalism in Comparative Analysis* (Cambridge: Cambridge University Press) , p. 2

<sup>68</sup> Fioretos et al (2016), p. 3

<sup>69</sup> Steinmo et al (1992), p. 10

<sup>70</sup> Steinmo et al (1992), p. 15

compromise, contestation for institutional power, and the duration of institutional contexts.<sup>71</sup>

Central to the historical institutional explanation of the public policy is the concept of the “path dependence”. As the policy chosen at the initial condition locks in the subsequent processes which, in turn, strengthen the initial choice, “path dependency” is formed and “reversing a trend becomes more difficult over the time”.<sup>72</sup> In other words, initial policy choice acts as an institution which shapes the choices in later stages. James Mahoney (2000) narrowly defined ‘path dependence’. For path dependence to occur, it must have sensitive dependence on initial conditions, unpredictability, and inertia.<sup>73</sup> First, a phenomenon has to be “highly sensitive to events that take place in the early stages of an overall historical sequence” than its “later parts”. Second, “final outcome” cannot be predicted based on “initial conditions” because the combination of the “initial conditions” and the paths formed thereafter determine the “final outcome”. Third, sequence of the events shows that they “stay in motion” after “processes are set into motion”.<sup>74</sup> With these features, Mahoney defines path dependence to occur

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<sup>71</sup> Fioretos et al (2016), p. 57

<sup>72</sup> Fioretos et al (2016), p. 11; Kathleen Thelen (2003), “How Institutions Evolve,” in Mahomney and Reuschemeyer eds., *Comparative Historical Analysis in the Social Sciences* (Cambridge: Cambridge University Press), p. 219

<sup>73</sup> Kathleen Thelen (2003), p. 219

<sup>74</sup> James Mahoney (2000), “Path Dependence in Historical Sociology,” *Theory and Society* 29:4, p. 511

when “contingent historical event triggers a subsequent sequence that follows a relatively deterministic pattern”.<sup>75</sup>

According to Mahoney, there are two types of path dependence. First, in path dependence with self-reinforcing sequences, “contingent period corresponds with the initial adoption of a particular institutional arrangement” and “deterministic pattern corresponds with stable reproduction of this institution”.<sup>76</sup> More specifically, it is the initial condition that “induce further movement in the same direction” and make it “impossible to reverse the direction”.<sup>77</sup> There are four different explanations for institutional reproduction that reinforces path dependence. First, in utilitarian perspective, path dependence choices lead to institutional reproduction because expected costs of institutional change are higher than those of the benefits. Second, in functional perspective, institutional reproduction persists because it serves for functional purposes of the larger system, such as “integration, adaptation, and survival”.<sup>78</sup> Third, in terms of power dynamics, institution continues to empower itself because it benefits the utility of decision makers in sake of the sufferers. Fourth, in legitimation perspective,

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<sup>75</sup> James Mahoney (2000), p. 535

<sup>76</sup> Ibid.

<sup>77</sup> James Mahoney (2000), p. 512

<sup>78</sup> James Mahoney (2000), p.519

institutional reproduction is justified because it serves for the “subjective orientation and beliefs” of the actors of the decision.<sup>79</sup>

Second, in path dependence with reactive sequences, “contingent period corresponds with a key breakpoint in history” and “deterministic pattern corresponds with a series of reactions that logically follow from this breakpoint”.<sup>80</sup> In contrast to self-empowering nature of the self-reinforcing sequences, path dependence with reactive sequences ends up with final outcome which is the result of sequential processes not necessarily facilitated by the initial condition. In some cases, the sequences may “transform” or “reverse” the early events.<sup>81</sup> In other words, initial conditions and the final outcome are linked through the series of processes in temporal order.<sup>82</sup>

Mahoney’s contribution has three merits on theoretical investigation of this research paper. First, it provides insights on how the political actors would formulate policies outside the rationality assumption. Dominating theories on international relations of neo-realism and neo-liberalism assume that rational policy makers drive political choices in foreign policy. As noted above, however, actors and audience of the foreign aid policy are more bounded by the domestic

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<sup>79</sup> James Mahoney (2000), p.523

<sup>80</sup> James Mahoney (2000), p.535

<sup>81</sup> James Mahoney (2000), p.526

<sup>82</sup> James Mahoney (2000), p.530

actors, who may have conflictual interests and values, than those of other foreign policies. Accordingly, framework which takes full accounts of these concerns must be considered.

Second, it provides an explanation on how historical sequences may have influenced the final outcome. In self-reinforcing path dependence, every historical event facilitates the decision made in the initial condition to eventually formulate the final outcome. In other words, every stage in historical narrative provide “increasing returns”. In reactive path dependence, every historical event contributes to the eventual formation of the final outcome and omitting any of an event deprives explanatory power of historical narrative.

Third, more importantly, it provides an explanation of why political actors would formulate policies within institutional framework. In self-reinforcing path dependence, actors choose to be dependent on the historical paths even under the rationality assumption. In reactive path-dependence, historical paths are made throughout the sequence of the events which confine the choices of the policy actors afterwards.

In this research paper, continuities of China’s foreign aid ideas and practices are analyzed in the historical institutionalist framework of the path dependence. In Chapter 4, the research compares China’s aid policy with that of international

regime in the current stage after the ‘peaceful rise’ by analyzing their aid ideas and practices. In Chapter 5, the research provides summarized outlook on historical evolution of China’s foreign aids. In Chapter 6, the research compares and contrasts between the features of the China’s foreign aids in the present and those in the past, and analyzes the continuities with Mahoney’s framework on path dependence.

## **4. China’s Aid Policy after ‘peaceful rise’ (2003-2018)**

### 4-1. Aid Ideas

As explained in the previous chapter, there are five criteria for assessing a state’s aid ideas in respect to the international standard: comprehensive understanding of development, emphasis on the recipient ownership, management of results with evaluating mechanism, invitation of non-state actors, and the emphasis on the mutual accountability and transparency. At glance, China seems to conform to some of the ideas defined by the international aid regime, while remain silent with other ideas. In details, however, China stands in contrast to key concepts and definitions underlying the ideas. Throughout the analysis of official policy documents and diplomatic documents, key features of China’s foreign aid policy ideas are identified which stand in contrast to those of the international aid regime.

#### 4-1-1. Comprehensive understanding of development

First of all, China remains ambiguous towards to the regime's general understanding of comprehensive development. Although China shows certain degree of compliance in diplomatic rhetoric, concepts and definitions supporting China's commitments to development show that China's understanding of comprehensive development differs from that of international regime to greater degree.

In China's foreign aid white paper in 2014, China "supports other developing countries to reduce poverty and improve the livelihood of their people" and "prioritizes supporting other developing countries to develop agriculture, enhance education level, improve medical and health services and build public welfare facilities, and provide emergency humanitarian aid when they suffer severe disasters".<sup>83</sup> China's support for non-economic development is also consistent with the regulations of China International Development Cooperation Agency, where the disbursements of grants are restricted to "humanitarian

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<sup>83</sup> "China's Foreign Aid (2014)"

purposes” including “poverty alleviation, public welfare and public service”.<sup>84</sup>

This shows that China puts importance on non-economic developmental goals.

This is also evident in China’s official documents from 2003 to 2018. When Prime Minister Wen Jiabao declared ‘Eight Principles of China-Africa Cooperation’ on November 9th, 2009, the “partnership for climate change” was first introduced as a part of China’s foreign aid policy and decided “to provide developmental projects in solar energy, biomass, and hydropower”.<sup>85</sup> In United Nations Conference on Sustainable Development on June 17<sup>th</sup>, 2012, Assistance Minister of Foreign Affairs Ma Zhaoxu introduced the idea of “joint development of socio-economic development and environmental protection” and gave support to “opening green economy”.<sup>86</sup> Efforts to promote comprehensive development were delivered in 5<sup>th</sup> Forum on China-Africa Cooperation on July 19<sup>th</sup>, 2012 when President Hu Jintao specified that the expansion of the aids shall include “helping African countries to improve agricultural production capabilities, activate ‘African talents plan’, deepen medical cooperation, help infrastructural

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<sup>84</sup> In “CIDCA regulations (2018),” article 17, interest-free loans are to be allocated for the construction of infrastructure and industrial bases and concessional loans for the projects generating economic benefits

<sup>85</sup> “China confirms New Measures of Eight Principles to promote cooperation between China and Africa,” [zhongguo jiangcai qu baxiang xin jvcuo tuijin zhongfei shiwu hezuo] Forum on China-Africa Cooperation, November 9, 2009

<sup>86</sup> “Speech by Assistance Minister of Foreign Affairs Ma Zhaoxu at United Nations Conference on Sustainable Development,” [wajiaobu buzhangzhuli mazhaoxu zai lianheguo kedaifazhan dahui zhongguo bianhui shangde jianghua] Ministry of Foreign Affairs, June 17, 2012

development and management of forests, and continue to help irrigation”.<sup>87</sup> Similarly on August 27<sup>th</sup>, 2012, Vice Prime Minister Le Keqiang also called to “renew methods of cooperation” and “focus developments in agriculture, manufacture, and small-and-medium size enterprises, energy cooperation, public welfare, environmental protection”.<sup>88</sup> On September 26<sup>th</sup>, 2013, Minister of Foreign Affairs Wang Yi put emphasis on “social problems” and called to “build public amenities, renew social management, and improve education, hospitals, houses, welfare, and social protection”.<sup>89</sup> On May 30<sup>th</sup>, 2016, Minister of Foreign Affairs Wang Yi presented promoting SDGs as a “necessary condition” and openly supported “green, less-CO2-consuming, and sustainable development”.<sup>90</sup>

At the same time, however, China takes digression from the international ideas by limiting its own responsibilities for comprehensive development. This is true in particular to the case of the environmental protection. In 4th Forum on China-Africa Cooperation on November 12th, 2009, China called to stress “special

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<sup>87</sup> “Hu Jintao’s Opening Speech at 5<sup>th</sup> Minister-level Forum on China-Africa Cooperation,” [hujintao zai zhongfei hezuo luntan diwuju buzhangji huiyi kaimoshi shangde jianghua] Ministry of Foreign Affairs, July 19, 2012

<sup>88</sup> “Li Keqiang’s Opening Speech at the 1<sup>st</sup> Provincial-level Forum on China-Africa Cooperation,” [likeqiang zai shouju zhongfei defang zhengfu hezuo luntan kaimoshi shangde zhice] Ministry of Foreign Affairs, August 27, 2012

<sup>89</sup> “Tasks on Peace, Development, and Cooperation can only move ahead, not taken back,” [heping fazhan hezuode shiye zhineng qianjin buneng daotui] Ministry of Foreign Affairs, September 26, 2013

<sup>90</sup> “Minister of Foreign Affairs Wang Yi’s Speech at International Conference on SDGs by 2030,” [wangyi buzhang zai luoshi 2030nian kedaixu fazhan yicheng guoji yantaohui shangde shi’e jianghua] Ministry of Foreign Affairs, May 30, 2016

emphasis on improving and adapting the policies toward climate change” but to support “rights for the [developing] countries”. Although China agreed to follow “UN Framework Convention on Climate Change, Kyoto Protocol, and framework on Paris Convention”, China called the international society to abide by the “common but differentiated responsibilities”. Specifically, it refers to “not to understate the problems related to development in Africa” on the basis of “the need to tackle with climate change”.<sup>91</sup> In United Nations Conference on Sustainable Development on June 21<sup>st</sup>, 2012, Prime Minister Wen Jiabao proposed the “principle of common but differentiated responsibility” where “developing country can enact the policies for SDG strategy in the background of national situation...in order to alleviate poverty first” and “developed country should change the patterns of production and consumption, reduce the level of energy consumption, and help developing countries to continue sustainable development”.<sup>92</sup> In 70<sup>th</sup> United Nations Conference on September 27<sup>th</sup>, 2015, President Xi Jinping also called for “common but differentiated responsibilities” in “economic, social, and environmental developments”.<sup>93</sup> Since China puts itself

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<sup>91</sup> “Forum on China-Africa Cooperation – Sharm El Sheikh Action Plan,” [zhongguo hezuo luntan – shamei shayike xingdong jihua] Ministry of Foreign Affairs, November 12, 2009

<sup>92</sup> “Speech by Wen Jiabao at UN Conference on Sustainable Development,” [wenjiabao zai lianheguo kedaixu fazhan dihui shangde yanjiang] Ministry of Foreign Affairs, June 21, 2012

<sup>93</sup> “Speech by Xi Jinping at High-Level Roundtable on South-South Cooperation,” [xijinping zai nannan hezuo yuanzuo huishang fabiao jianghua] Ministry of Foreign Affairs, September 27, 2015

as a ‘developing country’, it primarily calls the advanced economies to take major responsibilities in environmental protection.

Although China recognizes that social development and environmental protection are cardinal elements of foreign aids and development, China still stresses the importance of economic development, and in particular to the agricultural development and poverty. In the 2nd Forum on China-Africa Cooperation in 2003, China listed ‘agricultural cooperation’ on the top of the list, in order to “solve the problem of food security in Africa which is a measure to eradicate poverty and living standard of the people”.<sup>94</sup> In 3rd Forum on China-Africa Cooperation in 2006, China stressed that “agriculture plays critical role in every national economy” and “facilitating agricultural cooperation plays critical role in eradicating poverty, promoting development, and ensuring food security”.<sup>95</sup> In 4th Forum on China-Africa Cooperation on November 12th, 2009, China recognized that “protecting food security is the biggest challenge facing international society”.<sup>96</sup>

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<sup>94</sup> “Forum on China-Africa Cooperation – Addis Ababa Action Plan,” [zhongfei hezuo luntan – adesi yabeiba xingdong jihua] Ministry of Foreign Affairs, 2003

<sup>95</sup> “Forum on China-Africa Cooperation Beijing Action Plan,” [zhongfei hezuo luntan Beijing xingdong jihua] Ministry of Foreign Affairs, November 5, 2006

<sup>96</sup> “Forum on China-Africa Cooperation – Sharm El Sheikh Action Plan,” [zhongguo hezuo luntan – shamei shayike xingdong jihua] Ministry of Foreign Affairs, November 12, 2009

Furthermore, China contends that other means of development can be sacrificed for economic development. In United Nations Conference on the Least Developed Countries and Rio+20 on June 22<sup>nd</sup>, 2012, Prime Minister Wen Jiabao stated that “developing country should put economic development and improving public welfare as a priority” and that “these countries should look for their own paths of sustainable development fitting their own situation”, denying universal efforts for sustainable development.<sup>97</sup> In United Nations Conference on Sustainable Development Goal on September 20<sup>th</sup>, 2016, Prime Minister Li Keqiang also defined that “poverty and famine are main duty” and that international society should “take initiative in solving the problem of international inequality in development”.<sup>98</sup> This shows that China still prioritizes economic development as the most important objective of aid policy, even in sake of other goals.

#### 4-1-2. Emphasis on recipient ownership

Throughout the analysis of China’s foreign aid policy after the ‘peaceful rise’ it can be concluded that China conforms to the regime’s understanding of recipient

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<sup>97</sup> “Speech by Wen Jiabao at High-Level Conference on Least Developed Countries and Rio+20,” [wenjiabao zai zuibu fada guojia yu liyue +20 gaoji biebian huishang de jianghua] Ministry of Foreign Affairs, June 22, 2012

<sup>98</sup> “Speech by Li Keqiang at the United Nations Conference on Sustainable Development Goals” [Likeqiang zai kedaixu fazhan mubiao: gongtong nuli gaizhao womende shijie – zhongguode zhujiang zuotanhui shangde jianghua] Ministry of Foreign Affairs, September 20, 2016

ownership and China's official call for recipient ownership of developing countries has been coherent and consistent.

In China's foreign aid white paper in 2011, China defined the main feature of its foreign aid policy as "helping recipient countries build up their self-development capacity" and "laying a foundation for future development and embarkation on the road of self-reliance and independent development".<sup>99</sup> In the white paper in 2014, it states that China respects "right to independently choosing their own paths and models of development" on the basis of "mutual respect, equality, keeping promise, mutual benefits and win-win".<sup>100</sup> China's respect for recipient ownership has become more concrete in the regulations of CIDCA where it calls CIDCA to negotiate with "recipient government" and the "local government" in determining the projects.<sup>101</sup> It also allows Chinese side, Chinese side and recipient side, and recipient side alone to take lead in aid programs.<sup>102</sup>

This is also evident in China's official documents from 2003 to 2018. When President Hu Jintao delivered speech in United Nations Summit on September 15<sup>th</sup>, 2005, he repeated twice that a state should "independently choose their own

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<sup>99</sup> "China's Foreign Aid (2011)"

<sup>100</sup> "China's Foreign Aid (2014)"

<sup>101</sup> "CIDCA Regulations," Article 24, 26

<sup>102</sup> "CIDCA Regulations," Article 27

social systems and paths of development”.<sup>103</sup> In ‘Official Document on China’s Policy towards Africa’ published in January 2006, China has shown that it supports “the diversity in the models of cooperation in economic and social development”.<sup>104</sup> In 8 Principles of China-Africa Cooperation, Prime Minister Wen Jiabao noted that “China’s support and aid to Africa was not and will not be attached with political conditions forever”.<sup>105</sup> In 9<sup>th</sup> National Conference on Foreign Aid in August 17<sup>th</sup>, 2010, Prime Minister Wen Jiabao has also called to engage in aid projects “needed by recipient states and local people” and respect “laws, regulations, customs and habits” of recipient states and “live in harmony” with them.<sup>106</sup>

In 10<sup>th</sup> Anniversary Ceremony of Forum of China-Africa Cooperation on November 19<sup>th</sup>, 2010, Vice President Xi Jinping called to deepen the cooperation works in order to “enhance capability of local development”.<sup>107</sup> In United Nations Conference on Sustainable Developmental Goals on June 17<sup>th</sup>, 2012, Assistant Minister Ma Zhaoxu called to “provide fiscal support, redemption of

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<sup>103</sup> “Hu Jintao Delivers an Important Speech at the UN Summit,” Permanent Mission of PRC to the UN, September 16, 2005

<sup>104</sup> “China’s African Policy (Full Text)” State Council of PRC, January 12, 2006

<sup>105</sup> “8 Principles of China-Africa Cooperation,” [zhongfei hezuode baxiang yuanze] Ministry of Foreign Affairs, July 30, 2009

<sup>106</sup> “9<sup>th</sup> National Conference on Foreign Aid,” [di jiuci quanguo yuanwai gongzuo huiyi] Ministry of Foreign Affairs, August 17, 2010

<sup>107</sup> “Xi Jinping’s Speech at 10<sup>th</sup> Anniversary Ceremony of Forum on China-Africa Cooperation,” [xi jinpings zai jinian zhongfei hezuozuo luntan chengli 10zhounian yantaohui kaimoshi shangde jiangyan] Ministry of Foreign Affairs, November 19, 2010

debts, technological transfer” to “strengthen capabilities” of the developing countries.<sup>108</sup> In 18<sup>th</sup> African Union conference on January 29<sup>th</sup>, 2012, Chinese People’s Political Consultative Conference President Jia Qinglin stressed that it “respects the African countries to solve the problem by their own” and that “African countries have capability and wisdom to solve them”. Subsequently, “international community needs to provide aids to solve the problems in Africa” while “recognizing that these aids respect people’s will in Africa” and that “interests of external forces should not interfere with internal affairs of African states”.<sup>109</sup>

In recent years, China calls for developing countries to take broadened roles in developmental cooperation. In Special Event on the Millennium Development Goals on September 26<sup>th</sup>, 2013, Minister of Foreign Affairs Wang Yi advocated for “the role and the view of the developing countries” in “designing a roadmap for setting the goals after 2015”.<sup>110</sup> The viewpoint was also relevant in High Level Roundtable on South-South Cooperation on September 27<sup>th</sup>, 2015, when

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<sup>108</sup> “Speech by Assistance Minister of Foreign Affairs Ma Zhaoxu at United Nations Conference on Sustainable Development,” [wajjiaobu buzhangzhuli mazhaoxu zai lianheguo kedaifazhan dahui zhongguo bianhui shangde jianghua] Ministry of Foreign Affairs, June 17, 2012

<sup>109</sup> “Speech by Jia Qinglin at 18<sup>th</sup> African Union Conference,” [jia Qinglin zai feimeng dishibaju shounao huiyi kaimoshi shangde jianghua], Ministry of Foreign Affairs, January 29, 2012

<sup>110</sup> “Peace, Development, and Cooperation must step forward, not backward,” [heping, fazhan, hezuodeshiye zhineng qianjin buneng daotui] Ministry of Foreign Affairs, September 26, 2013

President Xi Jinping supported “the choices of the developing countries” on the “methods for development” and called for “reforms in international institutions”.<sup>111</sup> In United Nations Conference in achieving SDGs by 2030 on May 30<sup>th</sup>, 2016, Minister of Foreign Affairs Wang Yi included “recipient-oriented approach” in China’s “four directions” in regard to policies toward SDGs, stating that “every country faces different situations where people’s will differ” and that “actualizing SDGs can have different models”, advocating for the recipient states to initiate its own policies in regard to SDGs.<sup>112</sup>

#### 4-1-3. Management of results with evaluating mechanism

China only partially conforms to the regime’s call for the management of the results and the evaluation mechanism for aid effectiveness. At glance, China repeatedly provides rhetorical support for national and multilateral institutions for monitoring and supervising development cooperation. But China rarely proposes or discusses the details of managing and evaluating results on how to promote them.

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<sup>111</sup> “Xi Jiping at High-Level Roundtable on South-South Cooperation,” Ministry of Foreign Affairs, September 27, 2015

<sup>112</sup> “Minister of Foreign Affairs Wang Yi’s Speech at International Conference on SDGs by 2030,” [wangyi buzhang zai luoshi 2030nian kedaixu fazhan yicheng guoji yantaohui shangde shi’e jianghua] Ministry of Foreign Affairs, May 30, 2016

Although it has been few, China has repeatedly called to build both national and multilateral mechanism to evaluate the foreign aids and manage the results. In 9<sup>th</sup> National Conference on Foreign aid on August 17<sup>th</sup>, 2010, Prime Minister Wen Jiabao called to improve the quality of the foreign aid by “adhering to scientific review to select projects and strengthen the feasibility assessment of the project” through “standardizing the operation procedures of the project and truly making the bidding procedure fair, reasonable and transparent”.<sup>113</sup> In UN MDG High level forum on September 23<sup>rd</sup>, 2010, Prime Minister Wen Jiabao commented that “evaluating platform ensures achievement of MDGs”.<sup>114</sup> Subsequently in UN SDG Forum on June 17<sup>th</sup>, 2012, Assistance Minister of Foreign Affairs Ma Zhaoxu stated that building mechanism for SDG will be “helpful for socioeconomic development and environment protection as well as enhancing the voices and rights of developing countries, supporting them fiscally, and the role of the UN”.<sup>115</sup> In Report on China’s Implementation of the MDGs in 2015, it states that “cooperation between governments shall be intensified to actively build a multi-tier inter-governmental policy communication and exchange

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<sup>113</sup> “9<sup>th</sup> National Conference on Foreign Aid,” [di jiuci quanguo yuanwai gongzuo huiyi] Ministry of Foreign Affairs, August 17, 2010

<sup>114</sup> “Wen Jiabao at UN Millennium Development Goal High-Level Forum” [wen jiabao zai lianheguo qiannian fazhan mubiao goajibie huiyi shangde jianghua] Ministry of Foreign Affairs, September 23, 2010

<sup>115</sup> “Assistance Minister of Foreign Affairs Ma Zhaoxu at UN SDG Forum” [waijiaobu buzhang zhuli ma zhaoxu zai lianheguo kedaixu fazhan dahui zhongguo bianhuishang de jianghua] Ministry of Foreign Affairs, June 17, 2012

mechanism to deepen the integration of interests, promote political trust and reach new cooperative consensus”.<sup>116</sup>

According to Cheng and Taylor (2017), China had officially ordered to establish “22 special committees” to improve aid effectiveness. Specifically, China introduced “Project Tendering Mechanism, Project Supervision Mechanism, and other integral mechanisms” to encourage foreign aid involvement of the SOEs and expand the participants.<sup>117</sup> However, the reliability of this witness is under scrutiny. Chapter 5 of the regulations of CIDCA tackles with the issue of supervising and evaluation mechanism of foreign aids. In Article 34, it defines that CIDCA is responsible for “supervision and inspection of the foreign aid projects implemented by relevant departments and overseas organizations”.<sup>118</sup> It specifies that CIDCA can establish “supervising and inspecting mechanism” with relevant departments by establishing “evaluating mechanism” for aid projects which carry out “routine, special, and comprehensive assessments”.<sup>119</sup> Subsequently, CIDCA shall establish a “comprehensive evaluation system” and conduct “credit rating” on the basis of the behaviors of the implementing

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<sup>116</sup> “Report on China’s Implementation of the Millennium Development Goals (2000-2015)” (URL: [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/W020150730508595306242.pdf](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/W020150730508595306242.pdf)) (accessed on November 11, 2019)

<sup>117</sup> Cheng and Taylor, pp. 49-50

<sup>118</sup> “CIDCA Regulations (2018),” Article 34

<sup>119</sup> “CIDCA Regulations (2018),” Article 35, 36

agencies in foreign aid projects.<sup>120</sup> This shows that the establishment of “special committees” in 2017 had not yet enacted as of 2018 since CIDCA regulation still encourages to establish relevant mechanism and system.

Even after eight years when Prime Minister Wen called to adopt evaluating mechanism, China still calls to establish evaluation system, showing that China may not be ready to even build the elementary level of result management and evaluation mechanism at domestic level. To date, China had not disclosed the domestic structure of the management of the results and the process of the evaluation, and the ideas of how to enforce policy alignments with other donors.

#### 4-1-4. Invitation of non-state actors

In order to improve the effectiveness of the aid and developmental cooperation, China calls for the role of the non-state actors. However, China’s understanding of the role of the non-state actors deviates greatly from that of international regime. Whereas the regime welcomes the role of the civil society organizations, China stresses the guidance of the government role of the firms, and the use of market mechanism. Although China gives rhetorical invitation of non-

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<sup>120</sup> “CIDCA Regulations (2018),” Article 37

government organizations to its foreign aid policy, supposed duties of the NGOs are assigned to limited roles.

China's emphasis on the role of private firms is well demonstrated in many of the official documents since 2003. In 2<sup>nd</sup> Forum on China-Africa Cooperation in 2003, China confirmed that it "supports and encourages Chinese firms" to play active roles in agriculture, infrastructure, and investment, and African states to "provide relevant information and convenience to the Chinese firms".<sup>121</sup> In Official Document on China's Policy towards Africa in January 2006, the Chinese government "encourages and supports Chinese enterprises" to "invigorate investments" and "build infrastructure" in Africa, supported by "concessional loans and exports".<sup>122</sup> It also stated that the Chinese government "encourages and supports related Chinese firms" to "jointly develop and rationally use the natural resources [of the recipient states] with the diversified cooperation model of mutual interests and mutual development".<sup>123</sup> Likewise, in 3<sup>rd</sup> Forum on China-Africa Cooperation on November 5<sup>th</sup>, 2006, China encourages and supports the "Chinese firms" to "expand investments in African agriculture" and "participate in infrastructure-building in Africa", "financial

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<sup>121</sup> "Forum on China-Africa Cooperation – Addis Ababa Action Plan" [zhongfei hezuo luntan – yadesi yabeiba xingdong jihua] Forum on China-Africa Cooperation, December 16, 2003

<sup>122</sup> "China's African Policy (Full Text)" State Council of PRC, January 12, 2006

<sup>123</sup> Ibid.

institutions” to “establish more branches in Africa”, and “firms in both sides” to “jointly develop and rationally use energies and natural resources in both countries”.<sup>124</sup> In 4<sup>th</sup> Forum on China-African Cooperation on November 12<sup>th</sup>, 2009, China confirmed to “encourage and support more capable firms” to “increase investments, improve cooperation, and actualize mutual win-win”.<sup>125</sup> In 9<sup>th</sup> National Conference on Foreign Aid on August 17<sup>th</sup>, 2010, Prime Minister Wen Jiabao stated that it is necessary to “encourage and support Chinese enterprises” to “invest in recipient countries, help them to develop national industries, create jobs, and improve people’s well-being”.<sup>126</sup>

As a way to support developmental cooperation, China promotes aid policies in favor of private actors by promoting market-friendly policies. In the UN High Level Summit on Development on September 15<sup>th</sup>, 2005, President Hu Jintao ordered to “take concessionary measures to tariffs of the products exported from 39 least developed countries”.<sup>127</sup> In Official Document on China’s Policy towards Africa in January 2006, the Chinese government decided to “take

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<sup>124</sup> “Forum on China-Africa Cooperation Beijing Action Plan” [zhongfei hezuo luntan Beijing xingdong jihua] Forum on China-Africa Cooperation, November 5, 2006

<sup>125</sup> “Forum on China-Africa Cooperation Sharm El Sheikh Action Plan” [zhongfei hezuo luntan - shamei shayisi xingdong jihua] Forum on China-Africa Cooperation, November 12, 2009

<sup>126</sup> “9<sup>th</sup> National Conference on Foreign Aid,” [di jiuci quanguo yuanwai gongzuo huiyi] Ministry of Foreign Affairs, August 17, 2010

<sup>127</sup> “Hu Jintao Delivers an Important Speech at the UN Summit,” Permanent Mission of PRC to the UN, September 16, 2005

measures to expand accessibility of the exports of African states” and “call for the developed countries” to “increase official developmental aids, open the market, and ease the debts” to developing states.<sup>128</sup> In 3<sup>rd</sup> Forum on China-Africa Cooperation on November 5<sup>th</sup>, 2006, China stated to “undertake to improve market opening of the African states”.<sup>129</sup> In 8 Principles of China-Africa Cooperation, Prime Minister Wen Jiabao called to “expand the Chinese market for African goods”.<sup>130</sup>

Afterwards, China’s proposal to strengthen market and expand trade was facilitated with even more specific details. In 4<sup>th</sup> Forum on China-African Cooperation on November 12<sup>th</sup>, 2009, China confirmed to “continue to work on building economic and trade joint development zone in Africa” to promote “more Chinese firms to enter”.<sup>131</sup> In 9<sup>th</sup> National Conference on Foreign Aid on August 17<sup>th</sup>, 2010, Prime Minister Wen Jiabao stated that it must “continue to expand market opening to recipient states” and “create conditions for less developed countries” to “export various types of products to China through various means

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<sup>128</sup> “China’s African Policy (Full Text)” State Council of PRC, January 12, 2006

<sup>129</sup> “Forum on China-Africa Cooperation Beijing Action Plan” [zhongfei hezuo luntan Beijing xingdong jihua] Forum on China-Africa Cooperation, November 5, 2006

<sup>130</sup> “8 Principles of China-Africa Cooperation,” [zhongfei hezuode baxiang yuanze] Ministry of Foreign Affairs, July 30, 2009

<sup>131</sup> “Forum on China-Africa Cooperation Sharm El Sheikh Action Plan” [zhongfei hezuo luntan - shamei shayisi xingdong jihua] Forum on China-Africa Cooperation, November 12, 2009

such as tariff reduction and exemption”.<sup>132</sup> According to Report on China’s Implementation of the MDGs in 2015, China expressed that it “promoted trade development of the [recipient] states” and “facilitated their participation in multilateral trading system” through “improving trade-related transportation conditions”.<sup>133</sup>

On the other hand, China’s call for the role of the civil society organizations is limited to non-developmental and non-economic developments. China’s invitation of these organizations are limited to people-to-people exchanges. In 5<sup>th</sup> Ministerial Conference of the Forum on China-Africa cooperation Beijing Action Plan on July 23, 2012, “cooperation between non-governmental organizations” is encouraged and supported in the background of “cultural and people-to-people exchanges and cooperation”.<sup>134</sup> Similarly, in the Forum on China-Africa Cooperation Johannesburg Action Plan on December 25, 2015, “exchanges between Chinese and African labour unions, non-governmental organizations and social groups” are encouraged in the context of “cultural cooperation and people-to-people exchanges”.<sup>135</sup> In recent Forum on China-Africa Cooperation

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<sup>132</sup> “9<sup>th</sup> National Conference on Foreign Aid,” [di jiuci quanguo yuanwai gongzuo huiyi] Ministry of Foreign Affairs, August 17, 2010

<sup>133</sup> “Report on China’s Implementation of the Millennium Development Goals (2000-2015)”

<sup>134</sup> “Fifth Ministerial Conference of the Forum on China-Africa Cooperation Beijing Action Plan (2013-2015)” Ministry of Foreign Affairs, July 23, 2017

<sup>135</sup> “The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018)” Ministry of Foreign Affairs, December 25, 2015

Beijing Action Plan on September 12, 2018, the roles of non-governmental organizations are only encouraged for “people-to-people exchanges”.<sup>136</sup>

#### 4-1-5. Mutual accountability and transparency

Lastly, China remains extremely silent on the issue of the mutual accountability and transparency of foreign aid, and China’s official policy and diplomatic documents rarely discuss them. Only in 9<sup>th</sup> National Conference on Foreign Aid on August 17<sup>th</sup>, 2010, Prime Minister Wen Jiabao had first stated that China will “improve the system of accountability for quality and safety” to “strictly investigate all kinds of illegal activities in subcontracting of foreign aid projects”. Specifically, he called to “standardize the operation procedures of the aid programs” to “truly make the bidding procedure fair, reasonable and transparent”.<sup>137</sup> But thereafter, the term “accountability (责任)” never appeared in China’s official white paper or statements in regard to the foreign aids.

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<sup>136</sup> “Forum on China-Africa Cooperation Beijing Action Plan (2019-2022)” Ministry of Foreign Affairs, September 12, 2018

<sup>137</sup> “9<sup>th</sup> National Conference on Foreign Aid,” [di jiuci quanguo yuanwai gongzuo huiyi] Ministry of Foreign Affairs, August 17, 2010

## 4-2. Aid Practice

As mentioned in the previous chapter, there are five criteria and three goals for assessing a state's aid practices in respect to the international standard: aid commitment (ODA/GNP target), aid modality (grant elements and aid tying), and aid flow (LDC/GNP target and flow to multilateral agency). This chapter analyzes China's conformity to the international standard on the basis of its performance and the trend in respect to the target after its 'peaceful rise'. Throughout the analysis, China's foreign aid policy practices are found to differ greatly from those of the international regime.

### 4-2-1. Aid commitment

Although China's aid commitment is constantly rising, it is not tantamount to the international standard. From 2003 to 2014, as shown in <Table 1>, China has provided less than 0.1% of ODA per GNP in two different databases which is far below the international standard, 0.7%. According to AidData, China's ODA has risen from 0.05% in 2003 to the highest 0.18% in 2011, which then fall to 0.07% in 2014. According to Kitano's data, it has risen from 0.02% in 2003 to the highest 0.06% in 2013.

<Table 1: China's ODA/GNP ratio<sup>138</sup>>

	2003	2004	2005	2006	2007	2008	2009
AidData	0.05%	0.06%	0.06%	0.14%	0.11%	0.04%	0.12%
Kitano	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%	0.05%

	2010	2011	2012	2013	2014	Average
AidData	0.06%	0.18%	0.15%	0.11%	0.07%	0.10%
-Kitano	0.05%	0.06%	0.06%	0.06%	0.05%	0.04%

Even after adding the non-ODA elements to compute China's foreign aid commitments, as shown in <Table 2>, China's foreign aid has yet to reach the international target of 0.7%. According to AidData, China's foreign aids had risen from 0.19% in 2003 to the highest 1.11% in 2009, which then fall into 0.39% in 2014. According to Kitano's data, it had risen from 0.03% in 2003 to 0.12% in 2014. China's National Statistics Bureau (NSB) disclose that China's expenses for "external aids" had risen from 0.08% in 2003 to the highest 0.79% in 2006, which then fall into 0.21% in 2014. Although China succeeded to reach the target

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<sup>138</sup> As stated above, China does not officially provide 'Official Development Aid (ODA)' and the National Bureau of Statistics of China and the White Paper of China's external aids do not classify the total foreign aids into ODA, OOF and others. Therefore, the estimation of such is cited from the classification of ODA-like flows in AidData and JICA.

of 0.7% in certain periods, China's foreign aid commitments have rooms for expansion.

<Table 2: China's Foreign Aids/GNP ratio>

	2003	2004	2005	2006	2007	2008	2009
AidData	0.19%	0.18%	0.24%	0.41%	0.35%	0.22%	1.11%
NSB	0.08%	0.17%	0.14%	0.79%	0.22%	0.47%	0.34%
Kitano	0.03%	0.03%	0.04%	0.04%	0.05%	0.06%	0.06%

	2010	2011	2012	2013	2014	Average
AidData	0.44%	0.70%	0.51%	0.42%	0.39%	0.43%
NSB	0.12%	0.11%	0.17%	0.17%	0.21%	0.25%
Kitano	0.09%	0.11%	0.12%	0.11%	0.12%	0.07%

In terms of the overall trend of aid commitments, it can be cautiously concluded that China's foreign aids are moving towards the target at faster rates. From 2003 to 2014, as in <Table 3>, China's foreign aids had grown at the average annual rate of at least 13.54% and at most 24.97%. According to AidData, China's ODA has grown at the average of 13.54% and the foreign aids at 17.72%. According to Kitano's data, China's ODA has grown at the average of 17.84% and the

foreign aids at 24.97%. China's National Statistical Bureau discloses that China's foreign aid commitments had risen at 20.40% by annual average.

<Table 3: Growth Rate of China's ODA and Foreign Aids>

	2004	2005	2006	2007	2008	2009
ODA (AidData)	33.40%	0.58%	177.87%	-10.47%	-56.04%	201.49%
ODA (Kitano)	15.56%	23.18%	24.37%	55.93%	10.20%	28.13%
Foreign Aids (AidData)	3.39%	49.18%	96.56%	-1.46%	-30.63%	442.66%
Foreign Aids (Kitano)	24.84%	27.49%	9.06%	62.34%	29.59%	14.96%
Foreign Aids (NSB)	136.49%	-6.59%	530.69%	-68.08%	131.93%	-20.39%

	2010	2011	2012	2013	2014	Average
ODA (AidData)	-42.80%	222.74%	-13.79%	-20.00%	-28.22%	13.54%
ODA (Kitano)	18.53%	22.98%	13.62%	3.67%	-9.09%	17.84%
Foreign Aids (AidData)	-55.99%	71.45%	-20.60%	-12.27%	1.83%	17.72%
Foreign Aids (Kitano)	54.89%	32.57%	23.18%	-0.01%	9.34%	24.97%
Foreign Aids (NSB)	-61.04%	-4.69%	78.24%	6.36%	33.29%	20.40%

One could argue that the comparison between China's foreign aids and the international target of aid commitment is not fair, provided that donors from

advanced economies rarely meet the target. <Table 4> shows that foreign aid and ODA commitments of the OECD DAC member states do not reach the international target of 0.7%. Although their ODA had risen from 0.27% in 2003 to 0.36% in 2014, its annual average of 0.35% is half of the international target. Their foreign aid commitments which had risen from 0.33% in 2003 to 0.42% in 2014 do not the international target.

However, China's foreign aid commitments were increased at faster rates than ODA. As in the AidData of <Table 3>, whereas the annual average of growth rate of foreign aids was 17.72% between 2003 and 2014, average of ODA was 13.54%. This is in contrast to the practices of OECD DAC member states whose gap between ODA/GDP and the FA/GDP are increasingly narrowing down throughout 2003 to 2014 as the growth rates of ODA commitments are rising above those of foreign aids, as shown in <Table 5>. By annual average, the growth rate of ODA was 2.65% and foreign aids 2.22%.

<Table 4: ODA/GDP and Foreign Aid/GDP ratio of OECD DAC member states>

	2003	2004	2005	2006	2007	2008	2009
ODA/GDP	0.27%	0.30%	0.34%	0.34%	0.36%	0.39%	0.38%
FA/GDP	0.33%	0.33%	0.44%	0.39%	0.38%	0.44%	0.46%

	2010	2011	2012	2013	2014	Average
ODA/GDP	0.38%	0.39%	0.36%	0.37%	0.36%	0.35%
FA/GDP	0.47%	0.43%	0.42%	0.44%	0.42%	0.41%

<Table 5: Growth Rate of ODA and Foreign Aids of OECD DAC states>

	2004	2005	2006	2007	2008	2009	2010
ODA	11.11%	13.33%	0.00%	5.88%	8.33%	-2.56%	0.00%
FA	0.00%	33.33%	-11.36%	-2.56%	15.79%	4.55%	2.17%

	2011	2012	2013	2014	Average
ODA	2.63%	-7.69%	2.78%	-2.70%	2.65%
FA	-8.51%	-2.33%	4.76%	-4.55%	2.22%

#### 4-2-2. Aid modality

Firstly, the grant elements of China's ODA do not conform to the international standard of aid modality and there is no such trend towards it. From 2003 to 2014, the grants took 29.00% of China's ODA, which is far below the international standard of 86%. More worthwhile to notice is a decreasing pattern of the grants throughout 2003 to 2014, shown in <Table 6>. According to AidData, the grant elements of China's ODA had decreased from 44.51% in 2003 to 7.24% in 2014.

According to Kitano’s data, it had decreased from 73.09% in 2003 to 49.36% in 2014.

<Table 6: China’s Grants in ODA>

	2003	2004	2005	2006	2007	2008	2009
AidData	44.51%	30.22%	39.62%	28.57%	49.84%	29.03%	13.32%
Kitano	73.09%	73.40%	73.98%	67.09%	60.51%	67.98%	57.78%

	2010	2011	2012	2013	2014	Average
AidData	30.66%	53.87%	11.19%	9.89%	7.24%	29.00%
Kitano	48.77%	52.22%	53.76%	47.41%	49.37%	60.45%

Accordingly, China’s aid modality is not compatible to its peers in the OECD DAC. Throughout the same period, annual average of the grant elements of the OECD DAC donors was 94.03%, which exceed the international standard of 86%, as noted in the <Table 7>. Indeed, the grant elements of the OEDC DAC member states had never reached below the target.

<Table 7: Grant Elements of the OECD DAC member states<sup>139</sup>>

	2003	2004	2005	2006	2007	2008	2009
Average by State	93.35%	93.25%	95.95%	96.07%	94.89%	94.76%	94.06%
Average by Amounts	89.37%	90.51%	92.39%	92.21%	91.05%	90.72%	89.57%

	2010	2011	2012	2013	2014	Average
Average by State	93.31%	93.08%	93.05%	93.33%	93.28%	94.03%
Average by Amounts	89.13%	89.84%	89.82%	88.22%	87.67%	94.04%

Extending the concept of the grant elements to the non-ODA modality, the phenomenon and trend are also consistent. According to the China's official White Paper on Foreign Aids, China's foreign aids and grants between 2004 and 2009 were 256.3 billion yuan and 106.2 billion yuan, and between 2010 and 2012 were 89.3 billion yuan and 32.32 billion yuan, respectively, and it shows that China's grants were decreased from 41.44% to 36.19%.

Data from AidData and Kitano provide more information about the modality of China's non-ODA flows, by reclassifying them into grants, loans, and export credits.<sup>140</sup> By average, as in <Table 8>, China's foreign aids in grants, loans, and

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<sup>139</sup> Average by state refers to average of all the state's statistical figures. Average by amounts is weighted sum of average considering the size of a state's contribution.

<sup>140</sup> Export credit confers a right for a recipient state to purchase the products of a donor state in a form of a grant or a loan and therefore enhances the exports of domestic companies of a donor

export credits were 7.74%, 76.21%, and 14.54% in AidData, and 44.28%, 25.59%, and 24.26%, respectively, in Kitano's data. According to AidData, China's grants had decreased from 13.13% in 2003 to 3.36% in 2013; loans increased from 60.63% in 2003 to 90.94% in 2013; export credits decreased from 25.31% in 2003 to 4.47% in 2013. According to data from Kitano, China's grants had decreased from 61.28% in 2003 to 39.94% in 2014; loans increased from 15.94% in 2003 to 43.37% in 2014; export credits decreased from 14.49% in 2003 to 10.77% in 2014. Although the decreasing trend of export credit shows that China's aid modality is conforming to the international practice, it is substituted by increasing proportion of the loans, not by the grants.

<Table 8: Grants, Loans, Export Credits of China's Foreign Aids>

AidData	2003	2004	2005	2006	2007	2008	2009
Grants	13.13%	10.70%	9.66%	9.77%	15.26%	5.68%	1.47%
Loans	60.63%	56.36%	73.60%	72.70%	62.13%	87.08%	89.83%
Export Credits	25.31%	25.86%	15.19%	17.19%	21.57%	2.33%	8.57%

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state. Therefore, it is considered as an international economic policy of a donor state to enter the market of a recipient state and hence is not considered as an ODA. Instead, it could have negative impact on the domestic economy of a recipient state in the forms of substitution effects and the crowding-out effect.

AidData	2010	2011	2012	2013	2014	Average
Grants	4.42%	14.65%	3.42%	3.36%	1.34%	7.74%
Loans	77.48%	83.34%	89.59%	90.94%	70.84%	76.21%
Export Credits	17.77%	1.97%	6.63%	4.47%	27.66%	14.54%

Kitano	2003	2004	2005	2006	2007	2008	2009
Grants	61.28%	56.78%	55.17%	56.16%	48.60%	46.26%	43.47%
Loans	15.94%	15.29%	15.27%	23.88%	29.49%	20.02%	30.72%
Export Credits	14.49%	20.66%	23.22%	13.49%	17.31%	29.47%	22.02%

Kitano	2010	2011	2012	2013	2014	Average
Grants	28.26%	28.08%	26.48%	40.83%	39.94%	44.28%
Loans	27.43%	24.42%	21.57%	39.64%	43.37%	25.59%
Export Credits	39.83%	43.92%	47.97%	7.99%	10.77%	24.26%

Patterns of China's non-ODA modality stands in contrast to the practices of the OECD DAC donors. Even after added with non-ODA elements, as noted in <Table 9>, the grant elements of the OECD DAC donors in average take 84.05% of total foreign aids, which is only slightly less than the international standard. Other modalities, including loans, other official flows, and export credits, only make up for 9.25%, 3.68%, and 3.02% of the total foreign aids, respectively.

<Table 9: Grant, Loans, OOFs, Export Credits of OECD DAC member states>

	2003	2004	2005	2006	2007	2008	2009
ODA Grants	87.46%	89.62%	87.13%	97.92%	85.55%	86.97%	82.04%
ODA Loans	10.40%	9.39%	7.17%	8.28%	8.41%	8.89%	9.56%
OOF	6.00%	0.06%	7.77%	2.03%	1.38%	2.02%	7.88%
Export Credits	-3.86%	0.93%	-2.07%	-8.23%	4.65%	2.11%	0.52%

	2010	2011	2012	2013	2014	Average
ODA Grants	71.64%	80.01%	79.31%	77.17%	83.76%	84.05%
ODA Loans	8.74%	9.05%	8.98%	10.31%	11.78%	9.25%
OOF	4.31%	4.34%	4.57%	2.68%	1.16%	3.68%
Export Credits	15.31%	6.61%	7.14%	9.84%	3.30%	3.02%

Secondly, China's practice of aid tying stands directly in contrast to the international trend of aid untying. China does not conform to the international standard and there is no such trend towards on it. On average, tied aid constitutes 82.93% of China's total foreign aids and exceeded 49% for all the years in 2003-2014, as shown in <Table 10>. In other words, untied aid constitutes 17.07% of China's total foreign aids. Although China's untied aids increased from 4.13% in 2003 to 13.44% in 2014, this is far below the international standard of aid untying, 60%.

<Table 10: China's Aid Tying<sup>141</sup>>

	2003	2004	2005	2006	2007	2008	2009
Untied	4.13%	0.92%	9.36%	13.94%	23.89%	28.62%	6.29%
Tied	95.87%	99.08%	90.64%	86.06%	76.11%	71.38%	93.71%
	2010	2011	2012	2013	2014	Average	
Untied	50.64%	8.85%	16.42%	28.30%	13.44%	17.07%	
Tied	49.36%	91.15%	83.58%	71.70%	86.56%	82.93%	

Moreover, China allocates relatively larger aid projects or programs to the Chinese companies than those of the recipients. Among 1,272 aid projects specifying the status of aid tying between 2003 and 2014, 74.8% of the projects are tied to Chinese companies, which are less than the actual disbursements to the tied aids (82.93%). This shows that aid projects or programs with greater monetary value are allocated to the Chinese firms.

China's practice of aid tying is in a sharp contrast to the OECD DAC states whose annual aid untying has never touched below the international standard, as shown in <Table 11>. From 2003 to 2014, aid untying of OECD DAC member

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<sup>141</sup> Of 4,373 China's foreign aid entries in AidData, 3,101 entries do not specify the status of aid tying, 952 are tied to at least one of the Chinese companies, and 320 are untied to the Chinese companies. The figures in the table excluded the unspecified entries.

states had risen from 80.81% to 86.24%, more than sufficient to reach the target of 60%.

<Table 11: Aid Untying of OECD DAC member states>

	2003	2004	2005	2006	2007	2008	2009
Untied	80.81%	78.98%	85.85%	83.18%	83.17%	86.24%	82.91%

	2010	2011	2012	2013	2014	Average
Untied	82.17%	82.73%	85.12%	82.39%	86.24%	83.32%

#### 4-2-3. Aid flow

On the one hand, China's aid disbursement to the least developing countries does conform to the international standard of aid flow and shows a positive trend. From 2003 to 2014, China's foreign aids to the least developing countries took about 0.18% of China's GNP, which is tantamount to the international standard, 0.15%. As shown in <Table 12>, China's foreign aids to the least developing countries increased from 0.08% in 2003 to 0.17% in 2006 to 0.21% in 2012, according to AidData; it has increased from 0.08% in 2003 to 0.18% in 2006 to 0.34% in 2009, and maintained double-digits in early 2010s, in national statistics. This is in a sharp contrast to the OECD DAC states, as in <Table 13>, whose aids

to the LDCs in average is 0.05%, failing to reach the international standard of 0.15%.

<Table 12: Foreign aids to the least developing countries by China>

	2003	2004	2005	2006	2007	2008	2009
AidData	0.08%	0.05%	0.11%	0.17%	0.16%	0.07%	0.13%
NSB	0.08%	0.10%	0.11%	0.18%	0.20%	0.28%	0.34%

	2010	2011	2012	2013	2014	Average
AidData	0.12%	0.17%	0.21%	0.14%	0.06%	0.12%
NSB	0.21%	0.15%	0.16%	0.23%	0.06%	0.18%

<Table 13: Aids to the least developing countries by OECD DAC member states>

	2003	2004	2005	2006	2007	2008	2009
OECD DAC	0.06%	0.05%	0.05%	0.05%	0.05%	0.05%	0.06%

	2010	2011	2012	2013	2014	Average
OECD DAC	0.06%	0.06%	0.06%	0.06%	0.05%	0.06%

On the other hand, China's aid flow to the multilateral agency does not conform to the international standard of aid flow and there is no trend towards it. As shown in <Table 14>, China's foreign aids through the multilateral agency from 2003 to 2014 were 8.14% of its total foreign aids. It increased from 9.88% in 2003 to 13.39% in 2013, but failing to reach the international standard of 38.59%. Yet, as mentioned earlier, numerical figure regarding the aid flow to the multilateral agency was never brought up in an international community though the member states had tacit consent for such commitment. Therefore, it remains controversial to completely rule out China as a non-compliant of international standard based on this criterion.

<Table 14: China's aid flow to the multilateral agency>

	2003	2004	2005	2006	2007	2008	2009
Kitano	9.88%	9.40%	8.50%	7.74%	5.72%	6.25%	5.04%

	2010	2011	2012	2013	2014	Average
Kitano	7.72%	8.63%	8.07%	13.39%	7.31%	8.14%

<Table 15: OECD DAC flow to the multilateral agency>

	2003	2004	2005	2006	2007	2008	2009
Bilateral	67.96%	63.18%	65.63%	64.84%	63.13%	62.08%	59.70%
Multilateral	32.04%	36.82%	34.37%	35.16%	36.87%	37.92%	40.30%

	2010	2011	2012	2013	2014	Average
Bilateral	60.39%	59.41%	58.78%	57.63%	57.07%	61.65%
Multilateral	39.61%	40.59%	41.22%	42.37%	42.93%	38.35%

#### 4-3. Evaluating China's Normative and Practical Commitments in a New Century

The comparative analysis between China's foreign aid policy and the international regime on the basis of international standard of aid norms and practice shows that 'aid with Chinese characteristics' exists. Although China shares common features of aid norms and practices with those of the international regime, there are more features that stand out from other donors.

Firstly, the research shows that China's compliance to aid ideas is only valid at face value. The following features of China's foreign aid ideas share commonalities with those of the international aid regime. First, China agrees with the significance of non-economic developmental goals. Second, China stresses

the importance of ownership and control of the foreign aids and the developmental goals settled by a recipient state. Third, China believes that adopting national and multilateral evaluating mechanism is valuable for enhancing aid effectiveness. Fourth, China welcomes the participation of non-state actors in delivery of aid projects and programs.

However, China's foreign aid ideas are incompatible with those of the international aid regime when analyzing underlying the concepts and ideas. First, China still prioritizes economic development as the most important developmental goal, even in sake non-economic developmental goals. Second, China still has not developed ideas and plans for promoting evaluation mechanism in elementary level. Third, China supports the role of private enterprises but downplays the role of civil society organizations in foreign aid policies. Fourth, China has almost never discussed mutual accountability and transparency.

Secondly, the research shows that China's compliance to the aid practice is not only slow in process but also at opposite to certain degree. The following facets of China's foreign aid practice show that China is at least on the same path as the international community. First, China is increasing both the foreign aid and ODA at growth rates higher than those of other OECD DAC donors, and in one day

could surpass them in relative terms. Second, China is decreasing the proportion of the export credits in aid modality. Third, China is expending more foreign aids to the least developing countries than do the traditional donors in relative terms.

Yet, China's foreign aid policy has yet to match itself with the international standard. First, China's foreign aid and ODA do not meet the international targets. China's foreign aid is increasing at a higher rate than ODA. Second, China is increasingly transforming the export credits and grant elements into the loans, not grants. Third, China prefers bilateral to multilateral transfer of an aid, in contrast to the recent trends of the international community. Most importantly, China tends to promote its commercial interests through providing foreign aids, as evidenced by both the numerical figure and the pattern of the aid untying. Indeed, China tends to tie monetarily larger aid projects or programs to its own companies. This is in reverse of what the international aid regime is pursuing for: the untying of the foreign aid and a donor's commercial interests.

Previous discourse on China's foreign aid evaluates that new ideas and practices of China's foreign aid had emerged on the background of China's strategic considerations and challenges China's domestic politics facing today. However, many of these features are in fact the reinterpretation of the same ideas and

concepts in China's past. The next chapter presents how the ideas and practices of China's foreign aids evolved throughout its contemporary history.

## **5. Historical Evolution of China's Aid Policy (1949-2002)**

As an effort to conduct comparative analysis of China's foreign aid policy after 'peaceful rise' (2003-2018), historical evolution of China's aid policy throughout the 'Early Cold War Stage' (1949-1962), the 'Propagation Stage' (1963-1976), the 'Silent Stage' (1978-1989), and the 'Resurgence Stage' (1990-2002) is briefly provided in this chapter.

### 5-1. Early Cold War Stage (1949-1962)

There are two features of China's foreign aids during this stage. First, as a way to promote international communism, China provided huge sum of military and economic aids to the communist regimes in North Korea and North Vietnam. Second, as a way to establish diplomatic ties with Third World states, China provided smaller sum of aids to different countries in Asia and Africa in different forms, including food and medical aids, technical assistance, loans and grants, in different terms of currency.

First, spreading and maintaining the international communism through supporting the communist regimes and parties has become one of the main policy objectives of China since the early 1950s. Leninist ideas of supporting communism overseas, Mao's thoughts about supporting anti-imperialism, and China's experience with guerilla warfare were converged at supporting the independence of nascent communist regimes and parties in Asia. This was also consistent with China's strategy to receive support from Soviet Union by acting as a 'big brother in Asia'.<sup>142</sup>

Second, China's foreign aids policy was formulated as a part of plan to break away from its diplomatic isolation in the United Nations.<sup>143</sup> Specifically, China turned their eyes to the states in Asia and Africa who do not have strong ties with either the U.S or Soviet Union but struggle to balance themselves in bipolarity, whom Chairman Mao described as the states in "intermediate zone".<sup>144</sup> Prime Minister Zhou En-lai visited India in 1954 to affirm Five Principles of Peaceful Coexistence and emphasized the cooperation among the states in Asia and Africa.

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<sup>142</sup> Avery Goldstein (2006), "Across the Yalu: China's Interests and the Korean Peninsula in a Changing World," in Alastair Iain Johnston and Robert S. Ross (eds.), *New Directions in the Study of China's Foreign Policy* (Stanford: Stanford University Press), pp. 131-161.

<sup>143</sup> Ann Kent (2007), *Beyond Compliance: China, International Organizations, and Global Security* (Stanford: Stanford University Press), pp. 33-64,

<sup>144</sup> John F. Copper (2015), "China's Worldview and Its Foreign Aid and Investment Diplomacy" in John F. Copper, *China's Foreign Aid and Investment Diplomacy, Volume I*, pg. 56

Subsequently, China took a leading role in Bandung Conference in 1955 and reaffirmed China's presence in the international affairs. China's pursuit of voicing out in the international politics was clear as Zhou claimed that "no solution of international problems... is possible without the participation of the Chinese People's Republic".<sup>145</sup> Consequently, China began to provide aids to the states in Asia and Africa and gained diplomatic recognition in exchange.

Hence, China provided large sum of military and economic aids to North Korea and North Vietnam. In the First Vietnam War, China provided 175 million yuan of arms and necessary goods in 1950-54. After the First Vietnam War, China provided 900 million yuan of loans and credits in 1955-59, amounting about 25% of the total aids to North Vietnam by socialist countries in the same period. Between 1955 and 1965, China also provided several aids projects including expanding the power plants, sending experts in the industrial complexes, and building transportation networks between Vietnam and China.<sup>146</sup> Similarly, China supported North Korea in the Korean War and provided aids to North Korea even after the armistice. China provided 720 billion yuan worth of support in the Korean War (1950-53) and 800 million yuan of grants in 1954-57 to

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<sup>145</sup> Doak A. Barnett (1962), *Communist China and Asia* (Arkose Press) p. 65-66

<sup>146</sup> Jan S. Prybyla (1966), "Soviet and Chinese Economic Aids to North Vietnam," *The China Quarterly* 27, pp. 84-100

purchase basic goods for consumption and investment. China also provided assistance for building factories, intermediary goods for construction, and human resources for building infrastructure.<sup>147</sup>

China's foreign aids to recipients other than the incipient communist regimes were started when it provided aids to Egypt who had conflicts with France and Britain over the Suez Canal, and distrust over the U.S and Soviet Union. China imported 30 million dollars of cotton in 1954-55 and 100 million pounds of cotton in 1956. China provided 20 million swiss francs in cash, 47 million dollars of goods, and medical aids in 1956.<sup>148</sup> In the same year, China made diplomatic relationship with Egypt.

Subsequently, China expanded bilateral relationship with other parts of the world and provided aids as economic incentives. For Guinea, China provided 5,000 tons of rice and promised for technical support and economic cooperation in 1959. After making diplomatic recognition, China provided 10,000 tons of rice (equivalent of 1 million dollars), 26 million dollars of loans, and technical support by sending construction and agricultural advisors in 1960.<sup>149</sup> For Cambodia, China provided eight million pounds of economic assistance for

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<sup>147</sup>Im and Han (2015), "A Study on China's Aid to North Korea after Korean War," (in Korean) *Journal of Public Society* 5:1, pp. 368-399.

<sup>148</sup> Zhou Hong (2015), pp. 165

<sup>149</sup> Zhou Hong (2015), pp. 177-223

building factories and infrastructure in 1957. After making diplomatic relationship, China provided four million pounds for materials and plant projects in 1960.<sup>150</sup> After making diplomatic relationship with Yemen, China provided 16 million dollars of ten years loan and sent technicians and skilled workers for 300 mile roads projects in 1958, and provided 0.5 million dollars of loan in 1964.<sup>151</sup> China recognized Front de Liberation Nationale, a revolutionary political party against the French imperial rule, as a legitimate government in Algeria in 1958 and supported them with 50 million yuan grants, 50 million yuan of medical expenses, and 15 million yuan of military aids in 1959, and 20 million dollars of arms and 50 million dollars of loan in 1963.<sup>152</sup> After making diplomatic relationship with Mali in 1960, China provided 19.4 million dollars loan for 20 years in 1961.<sup>153</sup> In 1963, China built the 81km road from China to Laos.<sup>154</sup>

#### 5-2. Propagation Stage (1963-1976)

After China underwent domestic political struggles throughout anti-rightist movement (1956) and Great Leap Forward (1958-62) and experienced even worse diplomatic isolation within the socialist camp by Sino-Soviet Split (1956-

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<sup>150</sup> Zhou Hong (2015), pp. 331-340

<sup>151</sup> George S. Masannat (1966), "Sino-Arab Relations," *Asian Survey* 6:4, pp. 216-226

<sup>152</sup> *Ibid.*

<sup>153</sup> John F. Copper (2015), "Foreign Aid and Investment Diplomacy, Volume III,"

<sup>154</sup> Zhou Hong (2015), pp. 344-345

66), China's foreign policy was radicalized with its military involvement in Indochina and confrontation with its neighbors. As a way to break away from domestic and international challenges, China enlarged its foreign aid policy not only through expanding the volumes of the foreign aids but also by presenting its own ideas about the foreign aid policy.

#### 5-2-1. Aid Practices

First, China's foreign aids were greatly expanded with the absolute volume. China had greatly scaled up its military and economic aids: to name a few, Egypt from 20 million francs in 1956 to 80 million dollars in 1972; Cambodia from 36 million yuan between 1956 and 1960 to 310 million yuan between 1970 and 1975; Guinea from 26 million dollars in 1960 to 75 million dollars between 1969 and 1972. By 1971, China's foreign aids shoot up to make its highest record in relative prices which were not caught up until 2010. In comparison to the period between 1950 and 1963, China's foreign aids were increased by 210% between 1964 and 1970. From 1970 to 1976, China in total provided 1,815 million U.S. dollars, higher than Soviet Union of 1,019 million U.S. dollars.<sup>155</sup>

Second characteristics of China's foreign aids are the variegated types of aid projects. Whereas the recipient states of the foreign aids in the earlier period were

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<sup>155</sup> Cheng and Taylor (2017), p. 29

primarily concentrated to key socialist allies including North Korea and North Vietnam, provided in one-time-event, and delivered for military and humanitarian purposes, the recipient states were expanded with greater numbers and the amounts, aids were provided in regular installments, and economic assistance with different developmental goals were settled in this period.

In particular, China provided different types of developmental aids to the states in Africa. Zhou (2015) discusses how China set up its agricultural development aids to Mali and Guinea.<sup>156</sup> In Tanzania and Zambia, China built a notorious TAZARA railway with five hundred million U.S. dollars of aids between 1970 and 1975. In Vietnam, Laos, Sri Lanka, and Nepal, China provided foreign aids with engineers for energy and infrastructural development between 1961 and 1977. China also initiated massive infrastructural development cooperation with Pakistan throughout 1978.

#### 5-2-2. Aid Ideas

China's intensified focus on foreign aid policy is highlighted by and was supported by the proposal of China's ideas on foreign aid policy. When Prime Minister Zhou Enlai took official visits to 10 African countries between 1963 and 1964, he proposed 'Eight Principles of Foreign Aids (1964)' which were included

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<sup>156</sup> Zhou Hong (2015)

in China's official foreign policy after they were approved in the First Session of the Third National People's Congress.<sup>157</sup> The Principles demonstrate two features of China's foreign aid policy ideas.

First, China stressed on "equality and mutuality" of the relationship between a donor and a recipient. This is closely linked to the ideas of "non-conditionality" and "non-interference". Zhou claimed that the "sovereignty of a recipient state must be fully respected" and that it must be delivered in "equal" and "mutual" process in which neither party (no donor) can use it as a pretext to intervene in domestic affairs by "condition" or "privilege". This was taken to the extreme that the "experts" sent by China for the foreign aid to a recipient state are commanded to receive "same material benefits" and not "enjoy any privilege or pleasure" when they arrive at the recipient states.

Second, China puts self-sustaining economic development as the primary goal of the foreign aids. Zhou defined that the "purpose of the aid" is to "gradually achieve self-reliance" and "seek independence in economic development path". For doing it, Zhou called the foreign aid policy to undertake technological

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<sup>157</sup>"The Chinese Government's Eight Principles for Economic Aid and Technical Assistance to Other Countries," January 15, 1964, History and Public Policy Program Digital Archive, *Zhonghua renmin gongheguo waijiaobu and Zhonggong zhongyang wenxian yanjiushi, eds., Zhou Enlai waijiao wenxuan (Selected Diplomatic Papers of Zhou Enlai) (Beijing: Zhongyang wenxian chubanshe, 1990), 388.* <http://digitalarchive.wilsoncenter.org/document/121560>

transfer and provision of equipment and materials at “best quality”, and that they should be provided with grant elements such as “interest-free” and “concessional” loans, with an aim to eventually “lightening the burden of a recipient state”.

These ideas were reiterated as key concepts of China’s foreign aid policy by Chinese officials in the international stage. On October 22, 1972, Foreign Minister Huang Hua told that a state should “rely on their own efforts” and “take foreign aid as an auxiliary”, and that a state “should never rely on others to end colonial rule”.<sup>158</sup>

Throughout the ‘propagation of the foreign aids’, People’s Republic of China did cultivate diplomatic achievements in 1971 when it was eventually recognized as a state representing China. In realist, rational, and strategic perspective, China’s foreign aid policy is expected to experience significant decline, provided that its imminent goal in foreign policy had achieved. On the contrary, China’s foreign aid policy has persisted after its admission to the United Nations, and did not go beyond fine-tuning even after the shift in its grand strategy during the early reform period.

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<sup>158</sup> Ian Taylor, *China and Africa: Engagement and Compromise* (London: Routledge), 2006, p. 41

### 5-3. Silent Stage (1977-1989)

China's assertive foreign policy was halted with the birth of a new political leadership and shift in national strategy. After Deng Xiaoping took power in 1978, the main focus of China's public policy had shifted from the domestic political struggle to the economic development.<sup>159</sup> With the emphasis on reform and opening, the foreign aid policies supporting international communism and the revolutionary ideals were to be replaced with the ideas of the pragmatism. Indeed, China's top political leadership called to halt the existing foreign aid policy which dissipates national strength and budget. While China's foreign aid projects were largely scaled down in size, China continued many of the aid policies determined in the previous period, contradicting the transformation of national strategy. And, more importantly, China supported the ideas and concepts it defined in earlier period.

#### 5-3-1. Aid Practices

First of all, China's foreign aid policy during this period is characterized with its contraction in quantitative commitments and passiveness in formulating new aid projects. Overall, China's foreign aid volume had contracted from the annual

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<sup>159</sup> Thomas W. Robinson (1994), "Chinese Foreign Policy from the 1940s to the 1990s," in Thomas W. Robinson and David Shambaugh (eds.), *Chinese Foreign Policy: Theory and Practice* (Oxford: Clarendon Press), pp. 555-602

average of 2.9 billion RMB in between 1963 and 1976 to 1.4 billion RMB in between 1977 and 1989.<sup>160</sup>

For some of the countries, the aid projects were decreased by significant figures. In Cambodia, it has decreased from 1 billion U.S. dollars in 1975 to 200 million U.S. dollars in 1977; in Sri Lanka, it has decreased from 155 million U.S. dollars in 1974 to 32 million U.S. dollars in 1979 and 3.5 million U.S. dollars in 1980; in Nepal, it has decreased from 49 million U.S. dollars in 1977 to 7 million U.S. dollars in 1985; in Bangladesh, it has decreased from 60 million U.S. dollars in 1978 to 35 million U.S. dollars in 1984.<sup>161</sup> In African continent, China's foreign aids had decreased significantly from 100.9 million U.S. dollars in 1976 to 13.8 million U.S. dollars in 1982.<sup>162</sup>

Yet, China continued many of the programs it had promoted in the previous stage when it had recklessly promised other states to provide foreign assistance. In Myanmar, whereas China provided 84 million U.S. dollars from 1961 to 1978, it also provided similar amount of 67-80 million U.S. dollars in 1978.<sup>163</sup> In Sri Lanka, China provided loans of 32 million U.S. dollars in 1979, but did not

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<sup>160</sup> Zhang Youhui (2006), p. 165

<sup>161</sup> John F. Copper (2015), "Foreign Aid and Investment Diplomacy, Volume II,"

<sup>162</sup> John F. Copper (2015), "Foreign Aid and Investment Diplomacy, Volume III," p. 51

<sup>163</sup> John F. Copper (2015), "Foreign Aid and Investment Diplomacy, Volume II," pp. 11-12

announce the aid because it “was not popular at the time”.<sup>164</sup> China continued its aid policy in Nepal and Bangladesh throughout the early 1980s.<sup>165</sup>

### 5-3-2. Aid Ideas

China’s passive changes to aid ideas stand in stark contrast to China’s official direction of the foreign aid policy. Right before China’s Supreme Leader Deng Xiaoping officially endorse ‘reform and opening’ policy in the Third Plenum of the Eleventh Party Congress on May 7, 1978, Deng told China’s foreign aid policy to abandon socialist idealism. He stated that China is “yet poor” and that “cannot do much to contribute to proletariat internationalism”. He commented that “only after actualizing ‘Four Modernization’ and national economic development”, China could “contribute to the humanity, especially to the Third World”, suggesting that China’s efforts to foreign aid need to be adjusted in line with the transformation of its national strategy.<sup>166</sup> Subsequently, Deng made another remark at the Central Meeting on the Works of Foreign Affairs in July 1979 that although “decision to assist the Third World countries was correct” China has to “come up with the necessary budget for foreign aid” and that it has

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<sup>164</sup> John F. Copper (2015), “Foreign Aid and Investment Diplomacy, Volume II,” p. 52

<sup>165</sup> John F. Copper (2015), “Foreign Aid and Investment Diplomacy, Volume II,” p. 59, p. 79

<sup>166</sup> “Reform and Development of China’s External Economic and Technical Assistance,” Ministry of Commerce (URL: <http://history.mofcom.gov.cn/?specialfive=zgdwjjzsydggfzjd>) (accessed on May 7, 2019)

to “adjust” the “specifics” when “providing more assistance to other countries”, implying that ‘reforms’ in foreign aid policy are inevitable.<sup>167</sup>

However, political leaders in the field still reiterated the ideas in the previous stage, showing that China’s foreign aid policy was not influenced by strategic transformation. This is evident in a number of ‘National Conference on Foreign Aids’ and key doctrines promulgated by China’s political leadership. Although China proposed a new foreign aid policy in principles, China adopted the ideas it presented in the previous stage.

In Fourth National Conference on Foreign Aid in 1980, while China newly added “accelerating Four Modernizations” as an objective of its aid policy, it continued statements supporting the ideas of previous stage. It stated that it will “uphold proletariat internationalism and ‘Eight Principles’ to work on the foreign aid and expand international economic and technological cooperation, on back-and-forth reciprocal basis to promote economic development of friendly nation”.<sup>168</sup> Similarly in “Four Principles on Sino-African Economic and Technical Cooperation” in 1982 by Premier Zhao Ziyang, as an effort to change the ideas of foreign aid policy, he referred the aid policy to be proceeded with

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<sup>167</sup> Cheng and Taylor (2017), p. 35

<sup>168</sup> “Reform and Development of China’s External Economic and Technical Assistance,” Ministry of Commerce

“costless investment, short-term duration, and quick yields”.<sup>169</sup> Here, the effectiveness of the aid policy was newly introduced to substitute efficiency of aid vaguely defined by Zhou in his Eight Principles. Yet, the basic ideas behind China’s foreign aid policy were repeated. Emphasis on “equality and reciprocity, state sovereignty, non-interference, and non-conditionality” was stressed on the first clause of the principles, followed by the objectives of the aid to be seeking “mutual cooperation” through strengthening “self-reliance”.<sup>170</sup>

Moreover, Sixth National Conference on Foreign Aid in 1983 has called for “effectiveness” and “diversification of the modes” while repeating the principles of “equality and reciprocity” and “mutual cooperation” as ‘Four Principles of Equality and Reciprocity’.<sup>171</sup> Adjustments to the specific methods of foreign aid are even more contradictory. First, it decided that “[even] under the circumstance where the state budget is relatively tight” China will “expand foreign aids” and provide assistance to “more of the countries” with coordinated arrangements.<sup>172</sup> It also calls to “expand the proportion of complete projects and technology transfer to 60%”. Even though it proposes “reforms”, they are provided to align foreign aid agencies with the reforms in overall domestic institutions, by

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<sup>169</sup> Ibid.

<sup>170</sup> Ibid.

<sup>171</sup> Ibid.

<sup>172</sup> Ibid.

introducing “contract system” for the implementers of the foreign aid policies.<sup>173</sup> Seventh National conference on Foreign Aid in 1988 called to “strengthen the [foreign aid] works on the Third World” and stated that “aid is one of the most important policies”.<sup>174</sup> According to Ian Taylor (2006), throughout 1980s, China maintained that “Mao’s policy towards the developing world was fundamentally correct” and that “Chinese foreign policy had remained in this respect unchanged”.<sup>175</sup> These show that China’s foreign aid ideas do not fully support the changes sought by Deng.

Therefore, it is wrong to depict China’s foreign aid policy in the early reform period as the “era of contraction” or “declining stage”. ‘Silence’ might be a better phrase to represent China’s foreign aid policy during this era. Transformation of China’s foreign aid policies and ideas was bounded by the those practiced in the previous stage, with aid practices merely declining in size. Even though the top political leader calls to change the foreign aid policy, its old ideas were supported and adopted by the policymakers in charge.

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<sup>173</sup> Ibid.

<sup>174</sup> Ibid.

<sup>175</sup> Beijing Review, April 27, 1981, recited from Ian Taylor, *China and Africa: Engagement and Compromise* (London: Routledge), 2006, p. 54

#### 5-4. Resurgence Stage (1990-2002)

China had another political crisis between 1989 and 1992, which signaled shift in China's foreign policy. After China underwent political crisis through democratization protests in 1988-89, most notably in Tiananmen Incident in June 1989, China's grand strategy and foreign policy encountered a reverse drive. Reform and opening were halted and China almost stopped making further interactions with external environment. After Deng's Southern Tour in 1992, however, they were reset into a proactive motion. Reform and opening policies were resumed, and the national economic development was deepened

New shift in China's foreign policy after 1992 also affected China's foreign aid policy. On one hand, China's political leadership decided to continue its foreign aid policy of previous stage by continuing to reform domestic actors of foreign aids. This was especially the case for key changes in China's aid practices which strengthened and expanded the actors of foreign aid industry. On the other hand, however, China has actively revisited old ideas of foreign aids. In other words, even though economic reform policies were greatly deepened in China, foreign aid ideas are reproduced by recasting the old ideas and concepts.

#### 5-4-1. Aid Practices

In this period, China's foreign aid volume had shoot up from the annual average of 1.4 billion RMB in between 1977 and 1989 to 3.2 billion RMB between 1990 and 2002, overhauling the record of 2.9 billion RMB during the "Propagation Stage" (1963-1976). According to Brautigam (2009), China's foreign aid had increased from 410 million U.S. dollars in 1996 to 1.2 billion U.S. dollars in 2002.

The expansion of the foreign aid volume was substantiated with two additional features: increase in the aid recipients and invitation of domestic agents. First, the recipients of China's foreign aids had increased from 102 states in 1994 to 147 states in 2003.<sup>176</sup> In Africa, the number of recipients had increased from 13 in 1988 to 48 in 1990.<sup>177</sup> In Asia, China resumed the aid policies it halted during the Cold War: in Myanmar, China resumed its aid policy in 1998 by providing 250 million U.S. dollars of loans; in Indonesia, 3,120 million U.S. dollars of debts were forgiven in 1997; in Bangladesh, China provided 217 million U.S. dollars of aids in 2000; in North Korea, humanitarian aids of 59 million U.S. dollars were provided.<sup>178</sup>

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<sup>176</sup> Zhang Youhui (2005), p. 137

<sup>177</sup> Copper (2015c), p.54

<sup>178</sup> Copper (2015b)

Apart from central government, different domestic actors began to participate China's foreign aid policy. Most notably, Export-Import Bank of China was established in 1994 to provide concessional loans to developing states at 2% to 5%.<sup>179</sup> With the proposal of "Grand Economic Strategy", Chinese enterprises were encouraged to take part in the foreign aid projects.<sup>180</sup> Different domestic state mechanisms were formed to meet the increasing needs of foreign aids.<sup>181</sup> Multilateral organizations such as Forum of China-Africa Cooperation was also founded in 2000 to facilitate the foreign aid commitments.

#### 5-4-2. Aid Ideas

After the western condemnation of Tiananmen Incident in 1989, China stressed on state sovereignty and state rights in international stage, in opposition to the West's condemnation of China's human right abuses. This was extended to China's foreign aid ideas, and its previous emphasis on efficiency and reform was replaced by its old emphasis on mutual trust and non-conditionality.

In 1990, Prime Minister Li Peng commented that no state is allowed to "impose its will" on other states, "seek hegemony" in any regions, or "pursue power politics" to deal with other countries. Specifically, he referred not to "interfere

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<sup>179</sup> Zhang Youhui (2005), p. 129

<sup>180</sup> Cheng and Taylor (2017), pp. 46-47

<sup>181</sup> Ibid.

the internal affairs of the developing countries” or “pursue power politics in the name of human rights, freedom and democracy”.<sup>182</sup> This view was extended to the concept of development and foreign aids. According to Ian Taylor (2006), China warned African states the dangers of copying “fixed models in disregard of actual conditions” which “only serve to aggravate the difficulties” in local contexts.<sup>183</sup> In his visit to Cote d’Ivoire in July 1992, President Yang Shangkun proposed that China’s foreign policies will be based on China’s support for state sovereignty, national independence, opposition to foreign intervention and development of economies, China’s respect for different political systems and development paths, and China’s belief that establishment of new international economic and political order is of paramount importance.<sup>184</sup>

Similarly, in his visit to Six African states in May 1996, President Jiang Zemin emphasized that “road of development” of African people must be respected, supported “Five Principles of Peaceful Coexistence and non-interference in the internal affairs”, and called to respect equality of all countries. This was followed by the emphasis on “national independence, state sovereignty and territorial integrity” and economic aids “without attaching political strings”. In his visit to

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<sup>182</sup> Xinhua, March 12, 1990, recited from Cheng and Taylor (2017), p. 41

<sup>183</sup> Xinhua, September 4, 1994, recited from Ian Taylor, *China and Africa: Engagement and Compromise* (London: Routledge), 2006, p. 54

<sup>184</sup> Renmin Ribao, July 12, 1992, recited from Ian Taylor, *China and Africa: Engagement and Compromise* (London: Routledge), 2006, p. 66

Ethiopia, he stressed on “respect of sovereignty” and “refrain from interfering internal affair”.<sup>185</sup>

Just as how the Chinese government deepened reform and opening policy while maintaining authoritarian political system, these aid ideas coexisted with the concepts of market economy and globalization. In May 16, 1995, the State Council decided to expand concessional loans and increase the proportion of grants, focus on middle-to-small size production projects requested by recipient states, promote joint venture and cooperation for aid projects, and provide funds and loans by government and banks. And in the ‘National Conference of Reform’ in October 1995, Minister of Foreign Economic and Trade Affairs Wu Yi called to “follow the international trend of government providing concessional loans” and to “vigorously promote foreign aid projects through joint venture and cooperation”.

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<sup>185</sup> “President Jiang Zemin’s Visit to Six African Countries,” Ministry of Foreign Affairs [https://www.fmprc.gov.cn/mfa\\_eng/ziliao\\_665539/3602\\_665543/3604\\_665547/t18035.shtml](https://www.fmprc.gov.cn/mfa_eng/ziliao_665539/3602_665543/3604_665547/t18035.shtml)

## **6. Return to Theory: China's 'New' International Aid Policy?**

Historical narratives provide insights on the analysis of public policy in two ways. First, they show how political events influence the political actors and the policy decisions. Second, they show how the policy decisions, in turn, bound the political actors and the events. Evolution of China's foreign aid policy follows similar path. Critical political events influenced the policymakers' national strategy and foreign aid policies. In next stages, aid ideas proposed and the practices formulated in the previous stage influence the policy decisions afterwards. Likewise, China's aid ideas were reproduced throughout the history with few adjustments to specific concepts. Although China's aid practices were more influenced by exogenous factors, a number of features show that they are endogenous in nature.

### **6-1. China's Foreign Aid Policy in Historical Narratives**

There were a number of turning points in China's diplomatic history that provided 'critical junctures' in the history of China's foreign aid: Sino-Soviet Split, Reform and Opening, and Tiananmen Incident. When China was ostracized in the international community after Sino-Soviet Split, China's response was to

expand its diplomatic influence and strengthen its strategic leverage through establishing and facilitating the relationship with the Third World. China had greatly expanded its foreign aid volume in different forms and proposed its own ideas which stand in contrast to the ideas of the advanced economies. This practice, however, was learned from how it engaged with the anti-colonial states in Asia and Africa through economic incentives in its prior stage of 'early cold war'. After China was eventually admitted to the United Nations, the positive feedback loop of China's foreign aid policy was formed: China learned how to maximize its influence in the international stage.

If Sino-Soviet Split was a 'proactive critical juncture' where China looked ahead for even aggressive foreign aid policy, Reform and Opening was a 'reactive critical juncture' where China was supposed to overlook foreign aid policy as a diplomatic tool. As China sought to improve the relationship with the Cold War enemies for national economic development, and as China was gradually recognized by these countries, China had less motives to engage with the Third World by providing economic incentives. Yet, China continued many of its preexisting foreign aid policies even though it reduced the size of the aid projects. Indeed, the number of China's aid recipients had increased. Although China's top political leadership called to halt and adjust its excessive foreign aid policies,

China chose to support the Third World with economic means with underlying ideas supporting those in the previous stage.

Tiananmen incident served as another ‘proactive critical juncture’ to enlarge its foreign aid efforts and deepen the aid ideas. Positive feedback loop of foreign aid was re-emerged in China’s strategic thoughts and was re-introduced through its expansion in volume and discourses. China’s foreign aids were greatly increased in this period, tantamount to the efforts after Sino-Soviet Split. These were followed with participation of new actors, in line with the objective of deepening economic reforms: Ministry of Commerce, the Exim Bank, State-owned enterprises, and private actors. At the same time, China’s official stance on foreign aid policy was further strengthened as it revisits the rhetoric before the Reform and Opening. Emphasis on state sovereignty, non-conditionality, and non-interference was often attached with China’s proposal of new ideas on foreign aids during this period.

Similarly, China’s foreign aid policy in the current period, after the proclamation of the ‘peaceful rise’, follows the similar trend after the Tiananmen Incident. On the one hand, the influences of international actors are identifiable. In terms of aid ideas, China seemingly complies to comprehensive understanding of development, puts emphasis on recipient ownership, invites non-state actors, and

calls to adopt mechanism for evaluation and mutual accountability. In terms of aid practices, China is rapidly increasing the aid commitments, decreasing the proportion of export credits, and providing more aids to the least developed countries.

However, the research shows that many of China's ideas and practices stand in contrast to the international standards. In terms of aid ideas, China still prioritizes economic development in sake of other goals, limits the role of the non-state actors, and passively participates in building multilateral mechanism for aid. In terms of aid practices, China is rapidly increasing the loans, tying more of the aid projects to its own firms, and prefers its own bilateral aid to multilateral flows. Considering that China's emphasis on aid itself and recipient ownership are embedded in China's foreign aid policy prior to its 'peaceful rise', it can be hardly concluded that China's foreign aid policy is conforming to the international standard today. Instead, they are reproduction of the ideas in the past.

Consequently, main features of China's foreign aid ideas today are consistent with the ideas presented in the past. First, emphasis on effective, self-reliant economic development was evolved into development cooperation yielding effective results in 1980s and into prioritization of economic development today. Second, stress on non-conditionality and non-interference persists today, and are

reproduced as a respect for a state's endogenous developmental model in local context. Third, emphasis on mutuality and equality was evolved into common development, which are reproduced as invitation of private actors and non-concessional aid modality such as increase in non-ODA flows, loans, and aid tying. Arguably, emphasis on state sovereignty and independence might have prevented China from taking a gradual step in domestic and multilateral evaluation mechanism and mutual accountability and transparency.

#### 6-2. Path Dependence of China's Foreign Aid Policy

How shall we understand the characteristics and patterns of China's foreign aid policy? In a rationalist perspective, China's foreign aid policy reflects China's self-interested, utilitarian calculation of overall foreign policy direction, whether it be relative or absolute gains, serving for China's strategic and commercial interests. In a constructivist perspective, China's foreign aid policy reflects how China's policy was transformed through global interaction with external actors. The research findings show that, however, China's foreign aid policy has remained unchanged, with fine-tuning of details in policies.

There may be no theory better than path dependence in explaining characteristics and patterns of China's foreign aid policy. As explained in Chapter 3, there are two types of path dependence: self-reinforcing path dependence and reactive path

dependence. In both self-reinforcing and reactive path dependence, the final outcome is best understood by analyzing the influence of an initial condition and a series of events throughout the history. In self-reinforcing path dependence, the influence of initial condition is relatively higher; in reactive path dependence, the influence of sequential events is higher.

First, some features of China's foreign aid policy, including the participation of the private actors and emphasis on common development, show that the aid policy has sensitively responded to external factors, displaying the pattern of reactive path dependence. After the reform, Chinese enterprises and other domestic actors have become main participants of the delivery and operation of the foreign aids. Subsequently, more than half of the aid projects are tied to the Chinese firms and financed with loans issued by state banks, stressing mutual gains and common development. Yet, this is also consistent with China's traditional emphasis on mutuality and equality between a donor and a recipient. Although they reflect that the policies are adjusted to the socioeconomic environment today, their historical origins and evolutions of the policies are identifiable.

Main features of China's foreign aid policy show that China's traditional foreign aid policies are continuously reproduced throughout different time periods in the

pattern of self-reinforcing path dependence. Specifically, China's original emphasis on economic development, endogenous development model, non-conditionality and non-interference, are easily identifiable in China's recent emphasis on socioeconomic development over sociopolitical development and recipient ownership, and China's hesitance with evaluation mechanism for alignment and harmonization, mutual accountability and transparency.

How and why do China's old ideas persist in the field of foreign aid at the same time when China interacts globally with international actors? As mentioned in Chapter 3, institutional reproduction is likely due to higher expected utility, functional usage, power dynamics among decision-makers and sufferers, and legitimization purposes. In case of China's foreign aid policies, China's old ideas are facilitated in three different ways: institutional learning, policy choice constraints, and ideological inertia. At first, China's distinctive ideas and practices are adopted and selected for utilitarian purposes. Throughout the time, they are continued to be selected because they serve best for policy legitimization.

First, by propagating Chinese distinctive aid ideas and practices, China learned how to maximize its influence and improve its diplomatic leverage in international stage. In early Cold War period, China earned support from the socialist bloc and established diplomatic relationship after delivering massive

amount of aid to socialist and nationalist governments in Asia and Africa. China broke away from diplomatic isolation throughout 1960s and admitted to the United Nations by 1971 after committing large-scale material and ideational resources to the foreign aids. After Tiananmen Incident in 1989, China figured out that the best way to improve diplomatic leverage is to improve the relationship with authoritarian regimes in Asia and Africa by providing economic incentives in the form of foreign aids. This was followed with the foreign aid ideas emphasizing a state's rights over human rights, and recipient's autonomy over donor's interventionism. With increasing number of states joining hands with China on economic cooperation, China's foreign aid ideas are still in the process of creating positive feedback loop.

Second, China's aid ideas are reproduced because China had little policy options substituting its old ideas. After reform and opening, China has gradually adopted economic ideas of market economy and globalization but there were only technical adjustments to China's aid ideas. As an emerging donor, China has a choice to follow the path of traditional donors by expanding developmental objectives and improving mechanism for effectiveness. However, doing so only weakens China's distinctive position as a southern donor. Even during the early stages of the reform, China was still committed to its identity as a donor of the

Third World.<sup>186</sup> Therefore, China has to model itself from other southern donor or come up with its own design. Since there has been no international southern donor more active and influential than China, it has to develop its own ideas.

China's failure to innovate new ideas replacing old ideas might come from China's ideological inertia embedded in its political system. Although China has gradually changed its political system throughout the reform, new ideas supporting the system were added to preexisting old ideas. As of today, Maoism and Deng's Thoughts are still stipulated in the Party's constitution, and, on top of them, succeeding political leaders added their own ideas. Same tradition applies to China's foreign aid ideas. On every new proposal of aid ideas, it refers to and supports preceding ideas. Even Deng, who was eager to change the direction of aid policy, commented that China's policy to support Third World was "correct", openly supporting the decision of his predecessors.

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<sup>186</sup> Ian Taylor, *China and Africa: Engagement and Compromise*, Routledge Contemporary China Series, 2006, p. 54

## **7. Conclusion**

This research paper analyzed the characteristics of China's contemporary foreign aids by conducting comparative analysis of China's foreign aid ideas and practices and those of the international regime between 2003 and 2018 after its peaceful rise. On balance, China has more features standing in contrast to the standards settled down by the international aid regime. But even those of the ideas and practices conforming to the international standard have China's own, endogenous historical roots. Throughout the historical analysis, it is confirmed that China's aid ideas and practices have path dependence, and that China's distinctive aid ideas and practices today have more relevance to those in the past. In other words, China's unique foreign aid policies today were formulated by reproducing them and following the path in the past.

This shows that although China might be a different donor among traditional donors, China may not be a completely new participant in foreign aid industry. In other words, it is not China but international community that had changed over the time. While China boasts its traditional emphasis on sovereignty, non-interference and non-conditionality, international aid regime had transformed throughout the changing economic and political conditions. As early as Paris Declaration (2005), the international aid regime sought different ways to

transform aid conditionalities in 1980s and 1990s, in which China is highly critical of.

#### 7-1 Policy Implications

Still, it is noteworthy how China's distinctive aid policy remains influential in some parts of the international stage. As long as China's economic incentives work in international stage, China will insist on its distinctive ideas and practices regardless of the criticism of the West. Specifically, behaviors of major recipients in multilateral setting would determine the prospective paths of China's foreign aid policy. Due to security concerns, China's neighbors will be unlikely to support China in international stage regardless of China's foreign aids. But considering that most of the recipients of China's aids are not their neighbors, China's confidence with its own "characteristics" is likely to be strengthened.

In donor's perspective, however, the question remains whether China's foreign aid policy can improve China's normative power in international stage. This is due to ambiguous nature of the foreign aid itself. Recipient states might comply with and support foreign aid policy of a donor simply because it provides material benefits. In other words, recipient states might be tacitly complying with China's ideas on the basis of its economic power, as opposed to its normative power. This

is important for China's strategic concerns since China's role can be easily supplanted by other affluent donors.

This forms a paradox in China's foreign aid policy. As soon as recipient states grow in economic capacity with the support of China's foreign aids, they have less material incentives to behave according to China's will. In this way, China's dilemma emerges between providing foreign aids and supporting economic growth of recipient state, and providing minimal aids to let recipients support China's position in international stage.

Yet another contradiction of China's foreign aid policy comes with its emphasis on state sovereignty and self-reliance. If China's policy is to maximize its normative power in the international stage, thereby increasing its influence in global hegemonic competition, China might be caught into the so-called "sovereignty trap" when the conflict of interests arises between China and a recipient state. China's refusal or discontent over recipient's behavior in international politics might contradict and weaken China's position as a non-intervening donor. Therefore, if China were to insist with the traditional foreign aid rhetoric, China must be careful using it and provide policy signals simultaneously.

As with China's foreign aid policy, understanding China's foreign policy in different fields might be more effective adopting approach outside the rationality assumption. In other words, China's diplomatic strategy can be better analyzed in institutional or historical framework. Similarly, Sohn (2012) used cognitive feedback model to analyze China's pursuit to expand multilateral ties all over the world, even if doing it so might undermine China's bargaining power in bilateral basis.<sup>187</sup>

#### 7-2 Limitations of Research

Although this research paper adopted comparative and historical analysis to trace the roots of China's foreign aid policy, the research remains imperfect due to three methodological limitations: research objects, analytical framework and theoretical framework.

First, the sources of research objects are limited due to lack of available public data. In analyzing China's foreign aid ideas, only official documents related to foreign aids were used in this research. Although these can be good enough for archival analysis of China's official stance on foreign aids, they do not grasp China's unofficial, real stance in regard to key concepts of foreign aids. This can

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<sup>187</sup> Injoo Sohn (2012), "After Renaissance: China's Multilateral Offensive in the Developing World," *European Journal of International Relations* 18:1, pp. 77-101

be substantiated with undisclosed, confidential documents of China's foreign aid policy. In this part, this paper relied on works by Zhengxi Cheng and Ian Taylor (2017) but the author's interviews were limited to China's aid policies in the early reform era. Similar work can be done for China's aid policies today. For instance, China's view on evaluating mechanism and mutual accountability can be substantiated with the witnesses of official figure working for China's foreign aid.

In analyzing China's foreign aid practices, indirect primary data from AidData and Kitano are used in this research. This can be significantly improved with China's official disclosure of state budget on foreign aids. Unless this can be materialized, TUFF method of AidData yet remains the most reliable data in this field.

Second, this research has taken broad comparative analysis between China's foreign aids and those of the international aid regime. By narrowing down the analysis, the quality of the research on China's foreign aids can be further improved. Prospective researchers can focus on one of the concepts proposed by this research to yield more effective results. For instance, they can conduct in-depth research on how China's view on comprehensive development or recipient ownership has evolved throughout the time and how China's ideas and concepts

on specific agenda of each of them. They can also narrow down the research geographically and conduct comparative analysis within China's foreign aid policy.

Third, this research limited the historical analysis from the early Cold War to today. As suggested by Copper (2015a), the research can be expanded by analyzing China's foreign aid policy today with China's stance on foreign aid in Republican era (1911-1945) or view of the traditional tributary system. By focusing on the cultural aspects of China's foreign aids, this can contribute to broaden perspective of China's foreign aid policy.

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## Abstract in Korean

### 초록

새로운 공여국으로서 중국의 부상은 중국정치학부터 국제정치학까지 다양한 학계의 관심을 받고 있다. 중국은 신흥 강대국으로서 국제정치에서의 역할을 ‘평화적인 부상 (和平屈起)’으로 규정짓고 있으며 국제사회에 수사적일 뿐만 아니라 실질적인 기여도 하고 있다. 중국은 국제무대에서 규범권력을 향상시키기 위해 해외원조 자체를 공급할 뿐만 아니라 독창적인 아이디어와 독특한 정책을 전파한다. 중국의 해외원조에 대한 이전의 연구는 중국의 원조 정책이 전략적, 상업적, 규범적 우려를 충족시키기 위해 정치지도부에서 합리적으로 고안되었다고 가정한다.

이 논문은 중국의 역사제도주의적인 관점에서 중국의 해외원조를 분석하고 중국의 해외원조 정책이 중국의 과거 해외원조 정책과 밀접하게 연계되어 있다는 점을 밝혀내어 중국의 원조정책이 합리적이라는 가정에 의문을 제기한다. 우선 이 논문은 ‘평화적인 부상’ 이후 중국의 해외원조 아이디어와 행위를 국제 원조레짐의 아이디어와 행위와 비교해 중국 해외원조의 특징을 분석한다. 그 다음 논문은 1949년부터 2002년까지 중국 해외원조 정책의 역사적인 전개를 세 번의 역사적 변환점을 기준으로 네 개의 시기로 나누어 분석한다. 최종적으로 이 논문은 중국의 해외원조 정책에 경로의존적인 특성이 있음을 밝혀낸다. 중국의 일부 원조 행위는 연쇄적 경로의존성을 보이는 반면 중국의 전반적인 원조 아이디어와 행위는 자기강화적인 경로의존성의 형태를 띠고 있다.

키워드: 중국의 해외원조, 중국특색 해외원조, 경로의존성

학번: 2017-21057