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## Introduction

China's cooperation with the Pacific island countries, or Chinese aid to these countries, belongs to the South-South cooperation in essence. It is the mutual assistance between developing nations, and differs totally from the western aid, the so-called Official Development Assistance, or the relations between western donors and the recipient countries.

— Cui Tiankai, 31 August 2012  
(as cited in Liu & Huang, 2012)

The two sides [China and the US] reaffirmed their shared objectives in ending poverty and advancing global development through enhanced collaboration and communication under the principle that cooperation is raised, agreed, and led by recipient countries. China and the United States intend to expand their collaboration with international institutions to tackle key global development challenges. The two sides intend to continue expanding their discussion on development matters in future development-related meetings, such as, the nexus between development assistance cooperation and combating climate change.

— Governments of China and the US, 8 June 2016  
(as cited in Xinhua, 2016)

The first statement above is extracted from an interview with China's incumbent ambassador to the United States (US), former Vice Foreign Minister Cui Tiankai, at the 24th Post Pacific Islands Forum Dialogue in Auckland in August 2012 (Liu & Huang, 2012). The second statement is taken from the outcome list of the eighth China-US Strategic and Economic Dialogue held in Beijing in June 2016 (Xinhua, 2016). A comparison of these two quotations, both representing China's official

discourse, reveals a puzzling message. While insisting that there are substantial differences between Chinese foreign aid and Western aid, China is now committed to conducting development cooperation with the US. Notable questions follow immediately: Why is China willing to work with the US on aid delivery when the rivalry between the two is becoming more visible (e.g. in Asia and the Pacific)? What are China's attitudes towards cooperation with other traditional donor states and United Nations (UN) agencies? Is cooperation becoming a common phenomenon between China and traditional donors in the development realm? Some may argue that China has adopted reform and opening-up policies since the 1970s and that its relationship with Western nations has already been greatly improved. However, this argument is too general. It can neither explain why China conducts cooperation with Western nations in some areas rather than others, nor why China and Western nations will cooperate in the area of aid delivery while mutual mistrust lingers. These questions outlay the research theme of this book: Chinese foreign aid, especially trilateral aid cooperation.

China's growing strength is the backdrop of its expanding foreign aid scheme. China has presently become a recurring topic in the media, in academic research and even in daily life in the West. The world's most populous developing nation is striving to reclaim the glory that it seemingly lost fewer than 200 years ago. According to some estimates, China was the world's largest economy until the middle of the nineteenth century, boasting an economy that was nearly 30 per cent larger than that of Western Europe and its Western offshoots combined in 1820 (Maddison, 2006, p. 119).

Currently benefiting from its impressive economic growth in the previous four decades, China's re-emergence as a world power is increasingly felt in the international arena. In 2010, China overtook Japan as the second-largest economy. Initiatives such as the Asian Monetary Fund, the Chiang Mai Initiative/ASEAN+3 Macroeconomic Research Office and the Asian Infrastructure Investment Bank (AIIB) are often used as illustrative examples of the dynamic power shifts that have occurred from Japan to China in regional financial influence (Hamanaka, 2016, p. 4). The International Monetary Fund has estimated that China's gross domestic product (GDP) rate has surpassed that of the US in 2014, based on purchasing power parity; it has also predicted that if current trajectories continue, then the GDP rate will be 20 per cent higher than that of the US by 2020 (Carter, 2014).

In terms of overseas financing, the China Development Bank and China Export–Import Bank outstripped the World Bank by pledging \$110 billion<sup>1</sup> worth of loans from 2009 to 2010, while the World Bank signed loans that totalled \$100.3 billion from mid-2008 to mid-2010 (Dyer et al., 2011). The Brazilian, Russian, Indian, Chinese and South African (BRICS) New Development Bank (with a pool of \$100 billion) was launched by China and the other four BRICS member states in Shanghai in July 2015—a move that some analysts perceived as a deliberate challenge to the World Bank. The China-sponsored AIIB was established in December 2015 in the face of opposition from the US and Japan. The Belt and Road Initiative (BRI) is another of China’s ambitious projects, as well as a signature project of President Xi Jinping. At the first BRI forum held in Beijing in May 2017, Xi announced that the China Development Bank and the China Export–Import Bank would establish new lending facilities that were worth RMB 250 billion (\$38.6 billion)<sup>2</sup> and RMB 130 billion (\$20 billion) respectively to support BRI projects.

A heated debate is underway among Western observers regarding China’s influence as a rising power on the global power structure and governance. Joshua Cooper Ramo (2004) summarised China’s development experience and coined the term ‘Beijing consensus’<sup>3</sup> as an alternative model of development to challenge the ‘Washington consensus’. Maximilian Terhalle (2011) argued that the Copenhagen climate change conference in 2009 was a turning point in global governance—with emerging powers, including China, refusing to accept the demands of traditional powers and aspiring to reshape the international order. The rise of the G20 as a premium forum for international economic cooperation relative to other groups like the G8 and the Organisation for Economic Co-operation and Development (OECD) marks ‘a historical shift in the balance of economic power’ (Lowy Institute, 2011, p. 9). Francois Godement, director of the Asia and China Programme at the European Council on Foreign Relations, argued that ‘China’s governance model at home is fundamentally at odds with the liberal international order’ (Godement, 2017, p. 1). Professor Evelyn Goh from The Australian

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1 Unless otherwise specified, \$ refers to the US dollar in this book.

2 US\$1 was equivalent to RMB 6.478 on 31 December 2015. This exchange rate is used consistently in the book.

3 It is worth noting that although the concept of ‘Beijing consensus’ has not had much influence in China and is not taken seriously, it has had an influence beyond China—both among traditional donors and among recipient states. Scholars such as Scott Kennedy argued that the ‘Beijing consensus’ is a misguided and inaccurate summary of China’s actual reform experience (Kennedy, 2010).

National University (ANU) argued that China's rising influence in Asian countries is mixed and that this has often generated unintended consequences (Goh, 2016).

Some analysts have adopted a softer position, arguing that China and other rising powers (e.g. India and Brazil) are unlikely to cause revolutionary changes to the international order and that they are instead aiming to maximise gains via bargaining and balancing strategies (Hart & Jones, 2010; Kahler, 2013; Wang & Rosenau, 2009). In a similar vein, Gregory Chin and Ramesh Thakur have argued that China is pursuing a third road by selectively abiding by some international norms while pushing for changes to others; the authors further contended that China must shoulder greater international obligations that are consistent with its growing capacity (Chin & Thakur, 2010). John Ikenberry and Darren Lim have suggested that the China-initiated AIIB is similar to the Asian Development Bank (ADB) and World Bank in both its formal design and initial operations, and that it will thus more likely strengthen the rules, practices and norms within the current global order (Ikenberry & Lim, 2017, p. 16).

## Relevance of Chinese Aid

Foreign aid is an integral part of China's growing strength. As a rising power, China is also an emerging donor<sup>4</sup> who exerts a growing influence on the international aid regime.<sup>5</sup> The impressive growth of Chinese foreign aid has become one of the most prominent developments in the international aid realm in the last decade, triggering debates regarding whether China will join or undermine traditional aid architecture.

Foreign aid is also an important component of donors' foreign policies, and China's emergence as a donor has significant—though presently unclear—implications in the arena of foreign policy. Chinese aid thus becomes an issue of enormous significance. The international community, especially Western nations and China's neighbours, are watching closely to observe whether China will follow a peaceful or increasingly assertive

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4 Some analysts take issue with expressions like 'rising power' or 'emerging donor' though they are widely used by journals of international relations and development studies.

5 For example, China is providing large sums of foreign aid in the implementation of new initiatives such as AIIB and BRI, which both aim to boost China's influence in the realm of development cooperation.

foreign policy. After all, as China is poised to become a ‘superpower’ in global affairs, the direction of China’s foreign policy will inevitably affect the interests of other countries. This issue is particularly significant, as China’s foreign policy is seemingly becoming more assertive under the leadership of the Xi Jinping administration.

An evident example of this is the number of escalating territorial disputes between China and neighbouring Southeast Asian nations in the South China Sea, such as Vietnam and the Philippines—though relations with the Philippines improved after President Duterte took office in June 2016. China’s relationship with Japan has also deteriorated, and China has established an ‘air defence identification zone’ in the East China Sea. Debates are centred on whether China is shifting the focus of its foreign policy from ‘hiding the capacity and keeping a low profile’ (*taoguang yanghui*) to ‘making greater achievements’ (*yousuo zuowei*),<sup>6</sup> and whether it is adopting a more assertive approach (He & Feng, 2012; Sørensen, 2015; Wang, 2011b; Yahuda, 2013; Zhu, 2008, 2010a). If such assertions and perceptions are true, why has China chosen to cooperate in some areas rather than others?

Against this broad backdrop, my book has settled on China’s foreign aid as the main research topic. It aims to present original and in-depth research on Chinese trilateral aid cooperation—a new phenomenon of growing importance, but one with an extremely limited corpus of research literature. This will improve our understanding of China’s foreign aid and its foreign policy in a broader sense.

This introductory chapter begins with a broad conceptualisation of China’s foreign aid, including its prominent features, the concerns that traditional donors and analysts raise and the theoretical significance of the research on aid. It then examines the differences of aid principles and practice between China and traditional donors and introduces the topic of China’s trilateral aid cooperation as the subject of my research inquiry. The third section of this chapter explains the original contributions that this research has made, followed by a brief introduction to my findings. The final section outlines the book structure.

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6 This strategy was proposed by Deng Xiaoping in April 1992. To him, China could not afford to act as the leader of developing countries because China was weak. China needed to keep a low profile and develop into a more powerful country. Then, China could carry a heavier weight in global affairs.

## Chinese Foreign Aid

Before commencing our examination of Chinese foreign aid, a brief definition of foreign aid is needed. Foreign aid can be defined in several ways, according to those who are ‘receiving it’ or ‘giving it’ (Riddell, 2007, p. 17). Official development assistance (ODA) is the most widely used measurement of aid. It is defined by the Development Assistance Committee (DAC)<sup>7</sup> of the OECD as the flow of resources from official agencies with the main purpose of economic development and promoting welfare in developing countries. To count as ODA, the flow of resources must have a grant element of no less than 25 per cent (Führer, 1994, p. 25).

Chinese foreign aid appears to substantially differ from the ODA that traditional donors provide. China does not categorise its aid according to the OECD ODA standards—on the contrary, it has explicitly distanced itself from traditional donors ever since it began providing foreign aid in 1950. China’s first white paper on foreign aid (released in April 2011) stated clearly that ‘Chinese foreign aid belongs to South–South cooperation and the mutual assistance between developing countries’ (State Council, 2011d, p. 22). This point has been maintained as a basic principle for Chinese aid and has been a tool for China to dislodge the pressure and criticisms expressed by traditional donors regarding issues of aid transparency and cooperation. For example, as quoted at the beginning of the chapter, China’s then deputy foreign minister and present ambassador to the US, Cui Tiankai, argued that Chinese aid to the Pacific Island countries is south–south cooperation, which differs totally in its nature from north–south cooperation (Liu & Huang, 2012); this was echoed by Tiankai’s colleague Ambassador Wang Min at the high-level committee of UN south–south cooperation closing segment in September 2015 (Wang, 2015).

There are differences in the aid calculations between China and traditional donors. For example, military aid and the construction of sports facilities are included in Chinese aid, but they are excluded in traditional donor

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7 The DAC is a forum of selected OECD member states that discusses aid and development issues, and it represents the majority of traditional donors.

aid; the costs of newly arrived refugees<sup>8</sup> in host countries are defined as ODA by traditional donors, yet they are not included in China's aid budget<sup>9</sup> (Bräutigam, 2011, p. 756; Grimm et al., 2011, 7). The calculation of Chinese concessional loans also merits attention. Although Deborah Bräutigam and other scholars such as Zhou Hong from the China Academy of Social Sciences argue that China calculates only the interest rate gap between its concessional loans and commercial loans as aid while the ODA covers the total loan value (Bräutigam, 2011, p. 756; Zhou, 2008, p. 40), a senior Chinese aid official clarified that China has begun calculating the total face value of concessional loans in its foreign aid since 2009 (Interview, Beijing, 4 August 2015). This concurs with the findings of Sven Grimm and another three scholars, who argued that the full amounts of Chinese concessional loans are included in the aid figures announced by China (Grimm et al., 2011, p. 7). Bearing this point in mind facilitates our understanding of the Chinese aid outlay.

The amount, scope and growth rate of Chinese foreign aid has been impressive in the last decade. According to China's first white paper on foreign aid, China's cumulative overseas assistance reached \$39.5 billion (RMB 256.29 billion) from 1950 to 2009, covering 161 countries and over 30 regional and international organisations (State Council, 2011d, p. 22). In particular, the annual increase averaged 29.4 per cent from 2004 to 2009 (State Council, 2011d, p. 22). China's second white paper on foreign aid records a continued momentum of growth from 2010 to 2012, totalling \$13.79 billion (RMB 89.34 billion) (State Council, 2014, p. 22). The figure for Chinese concessional loans in the first two white papers refers to the whole face value of the loans. Even when calculated by the grants, the interest-free loans and the interest gap of the concessional loans, Chinese foreign aid has more than doubled from \$727 million

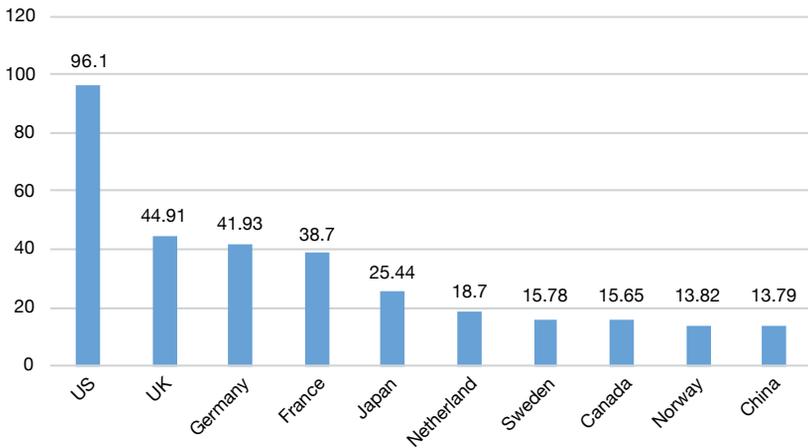
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8 China is currently not a main recipient of refugees, though it has hosted refugees throughout history—including approximately 265,000 refugees from Vietnam in the 1970s; more than 20,000 refugees from India and Sri Lanka in 1980s, before they were transferred to the US and EU nations; refugees from Iraq after the 2003 Iraq war; and refugees from Myanmar during the civil war in Kokang Blocks in 2009. In June 2016, China joined the International Organization for Migration; an increased engagement could be observed between China and this organisation regarding migration, including refugee issues, in the future (Ifeng, 2015; Ye, 2016).

9 Deborah Bräutigam and Sven Grimm mentioned that China's aid budget does not include scholarship for foreign students to study in China. However, based on the author's interviews with China's Ministry of Commerce aid officials, the scholarship is included in China's aid budget. While most of these scholarships are under the portfolio of China's Ministry of Education, The Ministry of Commerce is managing some scholarships, such as those arranged through the newly established Institute of South–South Cooperation and Development.

(RMB 4.71 billion) in 2001 to \$2.22 billion (RMB 14.41 billion) in 2010 (Mao, 2011, p. 1). It should be noted that the statistics from China’s white papers on foreign aid may not be completely accurate. One reason for this is due to China’s large population living in poverty—it is understandable that the Chinese government would understate its foreign aid volume and reduce domestic discontent. Another important reason is that more than 30 ministerial-level agencies are involved in China’s aid management, which makes it difficult for them to share aid data and produce an accurate figure on Chinese aid spending.

Based on official data, China was the 10th-largest donor worldwide from 2010 to 2012, as illustrated in Figure 1. A recent report from the research institute of the Japan International Cooperation Agency in 2016 noted that Chinese foreign aid reached \$4.9 billion in 2014 alone and that China’s rank among donors jumped from 16th in 2001 to ninth since 2013 (Kitano, 2016, p. 29). As a useful comparison based on OECD’s latest data, China provided \$3.4 billion of foreign aid in 2014, while other donors such as the US, Australia, India and Brazil provided \$30.98 billion, \$3.49 billion, \$1.39 billion and \$316 million, respectively (OECD, 2017).



**Figure 1. Top 10 donors globally, 2010–2012, USD billion<sup>10</sup>**

Source. Compiled by author.

<sup>10</sup> The Chinese aid data is from its 2014 white paper on foreign aid. The data for traditional donors is from the OECD online database (see OECD, 2016b).

Chinese aid to Africa and Oceania is representative of its increasing magnitude and structure. From 2013 to 2015, more than half of Chinese foreign aid was directed to the African continent, and Chinese concessional loans that were committed to Africa during this period exceeded \$17 billion (MOFCOM, 2015b, para. 2). At the summit of the forum on China–Africa cooperation in Johannesburg in December 2015, Chinese President Xi Jinping pledged an enormous aid package that was to be rolled out in Africa over the following three years. The announcement included \$5 billion in grants and interest-free loans, \$35 billion in concessional loans and export credit,<sup>11</sup> 30,000 government scholarships and 40,000 training opportunities (Xi, 2015a). Though small in land size and population, the Pacific Island countries<sup>12</sup> had received \$1.45 billion (RMB 9.4 billion) of Chinese aid by November 2013. In the same month, at the second China–Pacific Island countries economic development and cooperation forum, an additional \$1 billion in concessional loans was pledged for the next four years (Wang, 2013). During his meeting with Pacific Islands leaders in Fiji in November 2014, President Xi announced that China would provide further assistance to these countries, including 2,000 scholarships and 5,000 training opportunities, over the following five years (Du & Yan, 2014, p. 1).

## Chinese Aid Concerns

The rapid growth of China’s aid worldwide has raised concerns for some traditional donors and analysts regarding its motivations and modes of delivery, which are not shared by some of China’s aid partners in the developing world. The lack of understanding regarding China’s aid approach has greatly contributed to these concerns. As will be further elaborated in Chapter 2, there is growing literature on China’s motivations for providing foreign aid bilaterally and on these concerns for Chinese aid; however, China’s motivations for trilateral aid cooperation are under-researched. This partially justifies the creation of this book, as it challenges these misperceptions.

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11 Export credit is not calculated as Chinese aid. A separate figure for concessional loans was not provided by China.

12 In principle, China provides aid to countries with whom it has diplomatic relations. As of September 2019, 10 of the 14 Pacific Island countries have such relations with China, including Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu. Some Pacific Island countries have swayed their diplomatic recognitions between China and Taiwan.

Clemens Six (2009) argued that China's rise as an emerging donor complicates the traditional aid regime because it introduces new norms and practices, and that the normative dimension of China's rise demands further analysis. Zimmermann and Smith (2011, p. 732–733) argued that the rise of emerging donors has intensified the 'legitimacy crisis' of the current aid system. Kragelund (2011, p. 598) argued that China delivers aid primarily in the form of projects that produce tangible results more quickly than aid programs and that China favours 'prestige projects'. Some researchers from the Centre for Global Development have argued that although China claims that its aid has no conditionalities, in reality, it is tied aid that requires the use of Chinese companies, labour and materials (Walz & Ramachandran, 2011, p. 18). Laura Savage and Rosalind Eyben followed the arduous negotiation process at the Busan fourth high-level forum in 2011. They argued that China behaved defensively during the conference, refusing to be held accountable to the principles that it believes apply to traditional donors. China thus rejected several draft versions of the conference document (Savage & Eyben, 2013). To these scholars, China's behaviour hindered the conference from reaching a binding commitment for all stakeholders in global aid cooperation (Savage & Eyben, 2013).

Richard Manning, former chairman of the OECD DAC, called attention to the main risks that were caused by emerging donors—including the rising debt among recipient nations and the low levels of conditionality that are attached to development finance—and emphasised that DAC norms should continue to be observed (Manning, 2006, p. 1). In November 2011 and August 2012, US Secretary of State Hillary Clinton warned developing countries against cooperating with emerging donors like China, who are more interested in exploiting natural resources than in promoting real development (Bland & Dyer, 2011; Ghosh, 2012). The Trump administration adopted the Indo-Pacific strategy in November 2017 and pledged to compete with China in the region by funding infrastructure projects that are 'physically secure, financially viable and socially responsible' (Pompeo, 2018, para. 38). A report produced by the Danish Institute for International Studies examined the challenges that emerging economies caused for the European Union in development cooperation. It argued that:

If China continues to attract the attention of African leaders [through means including investment and foreign aid], the EU will have to downplay the role of governance and human rights conditionalities in the partnership [with Africa] or they will have no one to cooperate with. (Fejerskov, 2013, p. 42)

Moisés Naim is among the most vocal critics of Chinese foreign aid and its threat to the regional and global order. He explicitly labelled donor countries such as Venezuela and China as ‘rogue’ because they egoistically chase self-interest at the expense of recipient countries; he also warned that this situation must be redressed before it creates a development landscape that is characterised by corruption and chaos (Moisés, 2007).

Some analysts express concerns regarding certain aspects of Chinese aid. Anabela Lemos and Daniel Ribeiro believe that some African regimes, including Mozambique, have taken advantage of China’s non-interference policy to obtain Chinese aid while avoiding local and international pressure to combat corruption (Lemos & Ribeiro, 2007). Ian Taylor (2006, p. 952) expressed his concerns with issues such as human rights and governance that arises from China’s oil diplomacy in Africa. Yiagadeesen Samy (2010, pp. 85–86) argued that although most African leaders welcome Chinese aid, civil society in Africa is concerned with this aid, including with the support of corrupted regimes, rising debt levels and inappropriate use of local workers.

China’s influence as an increasingly prominent donor has also been felt in the Pacific Islands. In addition to the US, leaders of traditional donors in the region have expressed concern regarding the transparency, accountability and debt risks that are associated with Chinese aid. Prime Minister John Key warned in September 2011 that Pacific Island states must consider their ability to repay loans when accepting finance from China (Trevett, 2011). During the sixth Japan–Pacific Islands states summit in May 2012, Japanese Prime Minister Yoshihiko Noda called on China and other emerging donors to increase their aid transparency (Zhang, 2012). In April 2013, then Australian Prime Minister Julia Gillard told the media that although Australia welcomes more aid from emerging donors to the Pacific, more accountability and transparency is needed (Australian Associated Press, 2013). More recently, in response to China’s rise, both the coalition government and the opposition Labor Party in Australia pledged to establish loan facilities to support infrastructure development in Pacific Island countries. Similarly, the New Zealand government is re-energising its regional approach and increasing its technical and financial assistance to Pacific states.

## The Theoretical Significance of Studying Foreign Aid

Research on foreign aid has theoretical significance. Foreign aid is an interesting issue because it has been ‘a microcosm of donor states’ foreign policies’ since its birth after World War II (Hook, 1995, p. 16). Donors’ motivations are complicated. Hans Morgenthau (1962, p. 301), a leading twentieth-century expert of international politics, lamented half a century ago that:

Of the seeming and real innovations which the modern age has introduced into the practice of foreign policy, none has proven more baffling to both understanding and action than foreign aid.

Different schools of international relations have offered competing explanations for the motivations of states in providing aid. Realists treat aid as a tool that donors use to strengthen their power and security; liberals consider aid an instrument to promote cooperation and settle collective problems in an era of growing interdependence; Marxists and many structuralists regard aid as a tool that donors can use to exploit and control poor recipient countries; and constructivists focus on the norm that rich nations should provide foreign aid to poor nations to reduce poverty (Hook, 1995, pp. 34–40; Lancaster, 2007b, pp. 3–5; Pankaj, 2005, pp. 118–119). Maurits van der Veen (2011, pp. 210–211), a US scholar on international relations and politics, argued that no single theoretical model has been successful in explaining foreign aid; he vividly described the nature of aid as a ‘Swiss Army knife’ with multiple functions.

Some development specialists argued that ‘aid is a moral issue’ and that rich countries bear an obligation to assist the poor (Riddell, 1987, p. 74). However, Tanweer Akram (2003) from Columbia University used statistical models to test the relations between aid allocation and human needs in recipient countries from 1960 to 2000 and found that the aid that was delivered had little relationship to the basic needs of these countries. Economists Alberto Alesina and David Dollar argued that colonial history and political alliances are the major determinants of the direction and amount of foreign aid (Alesina & Dollar, 2000). Ilyana Kuziemko and Eric Werker from Harvard University discussed the vote-buying dimensions of foreign aid, arguing that nations winning the rotating seats in the UN Security Council received more aid from the US and the UN (Kuziemko & Werker, 2006). Despite a long-running

discourse on good governance among Western donors, Alberto Alesina and Beatrice Weder (2002) have argued that corrupt governments do not receive less aid from donors.

Chinese foreign aid has triggered similar debate regarding its motivations, which range from strategic ambitions to economic interests and soft power building. For example, David Lampton (2008) analysed what he considered to be the three faces of Chinese power: might, money and minds. He argued that Chinese economic power (money), including the provision of development and humanitarian assistance, has three objectives: ‘Keeping the regime in power, promoting human welfare at home, and bringing China the international status it has so long sought’ (Lampton, 2008, p. 115). As will be elaborated in subsequent chapters (including Chapter 2), scholars have used different schools of international relations theories—including neorealism, neoliberalism and constructivism—to analyse China’s foreign aid program.

## **Research Question: Chinese Trilateral Aid Cooperation**

A close examination of Chinese foreign aid over the past decade reveals a conundrum: China takes a strongly defensive position regarding its unique mode of foreign aid in the international aid regime while, in practice, it engages in increasingly more aid cooperation with traditional donors.

To many Chinese aid officials and scholars, Chinese foreign aid has several distinguishing features—notably, having no political strings attached, respecting the principles of non-interference in the internal affairs of recipient countries, focusing on equality and mutual benefits and following a preference for ‘hardware’ (infrastructure) rather than ‘software’ projects (He, 2010, pp. 12–14; Shi, 1989, pp. 15–18; Zhang, 2010; Zhang & Huang, 2012, pp. 43–44; Zhou & Xiong, 2013, pp. 1–3). For example, having ‘no strings attached’<sup>13</sup> is not a recent rhetorical development: it is one of the eight defining principles of Chinese aid as announced by

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13 This term has been modified by the Chinese government from ‘no strings attached’ in the 1950s to ‘no political strings attached’ since 1983, during Premier Zhao Ziyang’s visit to Africa, which reserves room for China’s emphasis of mutual benefits later on in its aid provision to recipient countries. By adhering to this principle of ‘no political strings attached’, the Chinese government argues that it will not establish conditions for recipient countries, such as them needing to enact political reforms before or when they receive Chinese aid.

Premier Zhou Enlai in 1964 (Zhou, 2008, p. 34). In contrast, traditional donors spend a large amount of aid on 'software' projects, including on democracy promotion and good governance programs, attaching conditionalities to promote accountability and transparency in decision-making, and preferring aid to be delivered through programs rather than projects. It is worth noting that some analysts take issue with the above differences, arguing that many characteristics of Chinese aid are similar to those of traditional donors, such as preferring to use the language of cooperation rather than aid (de Haan, 2011, p. 888).

Laurence Chandy and Homi Kharas, researchers from the US Brookings Institution, presented an interesting argument regarding the relationship between south–south development cooperation providers, such as China and India, and traditional donors (Chandy & Kharas, 2011): according to them, the two types of donors differ not in aid principles, but in the interpretations of these principles (Chandy & Kharas, 2011).

While questioning the effectiveness of traditional donors' ODA, the Chinese government and many Chinese senior aid scholars have expressed their pride for China's unique aid practices. They proudly articulate that China has successfully created a new aid model with Chinese characteristics (State Council, 2011d; Zhou, 2010).<sup>14</sup> According to Wang Cheng'an (1996, p. 7), former deputy director-general of the Department of Foreign Aid from China's Ministry of Commerce (MOFCOM), China has created a new approach to foreign aid that not only meets the demands of recipient countries, but also complies with China's domestic situation. This point is repeated in China's two white papers on foreign aid. Professor He Wenping has argued that China enjoys the natural advantage of being a link between traditional and emerging donors, northern and southern countries and donors and recipients because of its experiences as a recipient country, a fast-growing economy and an emerging donor (He, 2011, pp. 127–134).

Professor Li Anshan, a leading Chinese expert on Africa from Peking University, has taken a more critical approach to traditional ODA. He argued that although traditional donors have benefited by providing aid to Africa (e.g. promoting their diplomatic and economic interest),

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14 'Chinese characteristics' is a popular term in Chinese official documents. Examples include socialism with Chinese characteristics, foreign policy with Chinese characteristics and foreign aid with Chinese characteristics. The goal of this kind of term is to highlight China's own features and for China to distance itself from Western countries.

they have failed to honour their aid commitments, including reaching the target of spending 0.7 per cent of their gross national product on development assistance (Li, 2014, 2015). Another senior Chinese aid scholar, Li Xiaoyun, and his colleague, Wu Jin, have objected to the critiques from Western donors and commentators that most China-aided infrastructure projects are built by Chinese contractors rather than local companies; they argued instead that this could reduce the incidence of corruption in recipient countries, as the project funds would not go through the recipient governments (Li & Wu, 2009, p. 51).

China takes a strongly defensive position over its aid practice in the international aid regime. Despite ranking as the second-largest economy in 2010, the Chinese government has repeatedly insisted that China is still a developing country and that its foreign aid falls within south–south cooperation. China believes it signed the 2005 Paris Declaration on Aid Effectiveness in its capacity as an aid recipient rather than as a donor (Zhang, Gu & Chen, 2015, p. 17). It is reluctant to align itself with traditional donors and be bound by their aid norms. For example, China refused to join the Cairns Compact,<sup>15</sup> which is an initiative arising from the 2009 Pacific Islands forum that intends to boost aid coordination in the Pacific. China has made it clear that it will not be bound by the Cairns Compact (Trevett, 2011).

China and traditional donors have even delivered foreign aid within different contexts in history. For example, there is a strong connection between DAC aid flows and decolonisation in the 1960s and 1970s. Decolonisation hastened the spread of aid in the 1960s, and most colonial powers rushed to assist former colonies after their independence. Aid went where it would maintain the political influence and economic connections of the aid giver—Dutch aid to Indonesia, British aid to Britain’s former colonies in Africa and Asia (especially India), Australian aid to Papua New Guinea, and French aid to the French-speaking countries of West Africa (e.g. the Ivory Coast, Senegal, Mali, Morocco and Cameroon). However, China’s foreign aid has been driven by similar motives to those of traditional donors, though in a completely different context. It does not involve decolonisation or maintaining influence in former colonies, though it does entail an expansion of China’s influence in the developing world under the name of south–south cooperation.

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15 Based on the author’s casual conversation with Chinese Ministry of Foreign Affairs officials, one possible explanation for China’s refusal to join the Cairns Compact is that Beijing does not want its use of foreign aid to be monitored by traditional donors.

In light of these differences, China has demonstrated a strong preference for channelling aid bilaterally. As He (2010, p. 14) explained, China has favoured bilateral aid to Africa for four reasons:

- China has historically gained rich experiences in conducting its diplomacy, including providing aid to African countries bilaterally.
- Chinese aid is the ‘mutual assistance among poor countries’ that does not belong to ODA.
- Bilateral aid is more efficient than multilateral aid in terms of delivery efficiency.
- African regional integration is still in the process of development, and multilateral and bilateral cooperation is mutually complementary rather than exclusive.

From the above discourse, we would expect China to engage more in bilateral aid delivery and to shy away from cooperation with Western donors; however, we instead observe a growing trend away from this expectation.

## **Trilateral Aid Cooperation**

Despite the considerable differences between China and traditional donors, China has signalled its growing willingness to work with traditional donors in the past decade. It has engaged in discussions and has performed trilateral aid cooperation<sup>16</sup> with traditional donor states and multilateral development agencies, such as the US, UK, Australia, New Zealand, the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO) (see Table 1).<sup>17</sup> This cooperation covers diverse areas, such as agriculture, food security, public health, environmental protection and technical training. Trilateral aid cooperation has been increasingly acknowledged

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16 Countries such as China and the US use the term ‘trilateral cooperation’ while many other countries and international organisations use the term ‘triangular cooperation’. For the latter, triangular cooperation involves both a traditional donor (donor state/multilateral development organisation) and an emerging donor, while trilateral cooperation refers to three countries in one project, not necessarily one traditional donor and one emerging donor. To follow China’s practice, the term ‘trilateral cooperation’ is used in this book.

17 Although China and UN agencies began piloting some small trilateral aid projects in the 1980s, China’s trilateral aid cooperation with traditional donor states did not start until the last decade. China has also conducted trilateral cooperation with other multilateral development organisations, such as the World Bank, UNESCO and the International Monetary Fund over the last decade. Table 1 includes most Chinese trilateral aid projects.

in China's aid documents (State Council, 2010, 2011d, 2013). China's second white paper on foreign aid (released in 2014) highlighted the China–UNDP–Cambodia trilateral cassava project and the China–New Zealand–Cook Islands water supply project as examples of trilateral cooperation (State Council, 2014, p. 22).

**Table 1. Chinese trilateral aid projects**

Traditional donor/ UN agencies	Recipient country	Area	Duration
UK	Malawi/Uganda	Agricultural technology transfer	2012–2016
	African countries	Training of African peacekeeping police (3 sessions)	2009–2010
UK/UNDP	Bangladesh Nepal	Disaster risk management	2012–2015
US	Liberia	Facility improvement of the University of Liberia	2008–2010
	Timor-Leste	Agriculture	Phase One: 2013–2014 Phase Two: Cancelled
	Afghanistan	Training of Afghan diplomats	2013–2017
Japan	ASEAN countries	Environmental protection (3 sessions)	2010–2013
Australia	Papua New Guinea	Malaria control	2016–2018
	Cambodia	Irrigation dialogue	2013–2014
New Zealand	Cook Islands	Water supply	2014–2020
UNDP	Cambodia	Agriculture (cassava)	2011–2015
	Ghana/Zambia	Renewable energy	2014–2019
	Malawi	Disaster risk management	2016–2018
FAO	12 from Africa, 2 from Asia, 7 from South Pacific and 4 from the Caribbean	Agriculture and food security under the \$30 million donation from China in 2008	Since 2008
UNIDO	African countries	Lighten up Africa project (small hydro stations)	Since 2008

Source. Compiled by author from various resources.<sup>18</sup>

18 Data for this table is from mixed sources, including the author's interviews, MOFCOM website, Chinese media reports, public documents, media reports from traditional donors and recipient countries and existing literature. Data from these sources have been compared and contrasted to ensure their accuracy.

It is thus important to understand why China is conducting an increasing number of trilateral projects along with its bilateral aid projects. Is it a signal of real change in Chinese foreign aid policy or merely an expedient to detach China from external criticism? Are different donors really able to coexist and cooperate? Or do we, as Kenneth Kaunda (1966), then President of Zambia, lamented in March 1966, ‘end up with a mixture of various explosive gasses [aid from various sources] in one bottle, and inevitably, explosions follow’? Addressing China’s motivations for engaging in trilateral aid cooperation will partially answer these questions.

To help shed light on the puzzle, this book will focus on the following research question: What are the main factors that drive the growing Chinese trilateral aid cooperation?

It is worth briefly examining global trilateral aid cooperation as a background here. As a new form of aid distribution, trilateral cooperation has attracted more attention with the rise of emerging donors. This new aid modality can be traced back to the ‘Buenos Aires plan of action’, which was adopted by the UN in 1978 to push for developed nations’ support to pursue south–south technical cooperation (Fordelone, 2013b, p. 13). This aid has been rapidly growing in recent years, with over 40 agreements signed by 2010 (Economic and Social Council, 2008, p. 23) and with two-thirds of traditional donors participating (McEwan & Mawdsley, 2012, p. 1193). There has also been a growing number of international and regional conferences on trilateral cooperation (Heiligendamm Process, 2009; OECD, 2012a; Pantoja, 2009; Portugese MFA, 2013; Schulz, 2010).

Trilateral cooperation entails benefits to international aid practice, including promoting mutual learning among all partners, sharing experiences from developing countries and increasing aid cooperation (Economic and Social Council, 2008; Fordelone, 2013a, 2013b; Mehta & Nanda, 2005; OECD, 2012c; Task Team on South–South Cooperation, 2011; UNDP, 2009a; Yamashiro Fordelone, 2011; OECD, 2016a). Documented disadvantages include increasing coordination difficulties among numerous donors and high transaction costs in comparison to bilateral aid (Fordelone, 2013b; OECD, 2012c).

## The Research Gap and this Book's Contributions

China's rise as an emerging donor has far-reaching implications. Chinese foreign aid prompts an important opportunity for the developing world and provides another model of aid in addition to that established by traditional donors. Moreover, as the Chinese government does not release annual country-based aid data, the motivations underlying Chinese aid remain unclear. Analysing China's motivations for trilateral aid cooperation could also provide a new perspective on China's foreign policy.

Compared to bilateral aid, trilateral aid cooperation is a new phenomenon, especially for China. It has begun attracting global attention from aid officials and analysts. As will be elaborated in Chapter 2, traditional donors and multilateral development agencies have convened an increasing number of trilateral workshops and conferences to exchange views and explore this modality. In particular, Japan, Spain, Germany and the UNDP have been pioneers in experimenting with trilateral aid partnerships. Emerging donors, especially those from Latin America (e.g. Brazil), also have positive attitudes towards trilateral cooperation.

Although the influence of the rise of emerging donors on the traditional aid system remains unclear, the problem of aid fragmentation in recipient countries is becoming worse as emerging donors join the donors' camp. As Homi Kharas (2007, pp. 15–16) noted, 'The new reality of aid is one of enormous fragmentation and volatility' and 'information, coordination and planning are becoming harder, yet are more important for development effectiveness'. As such, trilateral aid cooperation is receiving more attention from donors and recipients alike, including at a recent high-level forum on aid effectiveness in Accra and Busan. It is expected to play a bridging role between traditional and emerging donors and to promote aid effectiveness. For example, the first high-level meeting of the global partnership for effective development cooperation in Mexico in 2014 concluded that trilateral aid cooperation has the following strengths:

Triangular cooperation is an innovative way of inclusive partnering, which puts the role and will of the recipient countries at the core and provides an opportunity to bring together the diversity and richness of the experiences, lessons learned and different assets of Northern and Southern partners, as well as multilateral, regional and bilateral development and financial institutions, by

maximizing, through well-supported cooperation schemes, the use of effective, locally owned solutions that are appropriate to specific country contexts. (Global Partnership for Effective Development Cooperation, 2014, p. 5)

Although it has substantial potential, trilateral aid cooperation is still largely under-researched due to its novelty. This can be partly attributed to the limited number of trilateral projects. The empirical data on trilateral cooperation, in general and on Chinese aid in particular, is extremely limited (OECD, 2012c, p. 3). Reports and conference proceedings on trilateral aid cooperation are increasing in number, but most of them focus on trilateral cooperation's 'static' aspects, such as the history, features, and 'expected' strengths and weaknesses. In-depth critical analysis of other aspects, including the motivations of donors and recipient countries, based on field work is extremely thin. This is why the UNDP argued that trilateral aid cooperation is an 'underutilized tool' (UNDP, 2009a, p. 141). Further, as trilateral aid cooperation is a more recent phenomenon in China and access to aid data is limited, in-depth research on Chinese trilateral aid cooperation is almost non-existent.

## **Contributions**

This research project contributes to the disciplines of development studies and international relations in three aspects: theory testing, methodological rigour and substantive content. It seeks to enrich the debate mainly on Chinese foreign aid, especially on trilateral aid cooperation and China's role in the Asia-Pacific region.

Theoretically, this research is timely and important because it is closely linked to mainstream theoretical debates in international relations regarding the influence of emerging powers, especially China, on global governance. As China is continually transforming itself and global governance architecture, this research uses foreign aid as a portal to illustrate China's global influence and its position towards cooperation with traditional donors and UN agencies. It will facilitate our understanding of whether China, as a leading emerging donor, will be able to coexist with traditional donors in peace and it will offer unique insights into Chinese foreign policymaking and aid policymaking. It will also trace in detail the process of three trilateral projects in which China has been involved (to be elaborated in Chapters 4, 5 and 6). This book additionally analyses the evolution of Chinese foreign aid policy. As will be discussed in Chapter 2, the constructivist and cognitive learning theories on identity, interest

and ideas will be adopted for analysis. The book will focus on China's identity, interests and ideas, with regard to development cooperation. It will investigate whether China's identities, interests and ideas have changed over time during its engagement with traditional donors and UN development agencies. If they have, why? And what is the causal relationship between identity, interests and ideas? How have the changes informed China's endorsement of trilateral aid cooperation? These analyses will have implications for the wider theoretical debate regarding identity, interests and ideas in international relations and politics, economics and soft power in Chinese foreign policy.

Methodologically, this research has taken multiple measures to ensure its analytical validity. As the motivations behind China's foreign aid are complex, it is difficult to adequately analyse using a single approach. Therefore, to analyse Chinese trilateral aid cooperation, this research provides a three-layered approach that amasses national interests, international engagement and domestic institutions. This will help readers understand the roles that are played by external players in this process—including traditional donor states, UN agencies and Chinese domestic-vested interest groups. In addition, 'process tracing' is used as a tool to collect the details and investigate the whole notion of the selected trilateral aid projects. During the interview process, the views from three sides of the trilateral aid projects are compared and triangulated to maximise their reliability.

In terms of its substantive contribution, this research fills an important gap in the existing literature, as Chinese trilateral aid cooperation is new and relevant research is extremely limited. It is a pioneering research project on China's trilateral aid cooperation, especially in terms of identifying why Chinese actors are motivated to pursue trilateral development cooperation. This research also enriches the existing limited research on Chinese foreign aid in the Asia-Pacific region (particularly the Pacific), which in turn contributes to our knowledge of China's role in the region. As the existing literature on the Asia-Pacific region focuses on Chinese bilateral aid, this research expands the debate by ushering in China's trilateral aid cooperation in the region, which has increasingly become an important testing ground, as will be demonstrated in Chapters 4 to 6. Moreover, it gathers valuable data on Chinese trilateral aid projects and enriches the aid database for future research. It also draws implications for aid policymakers regarding how to best engage in trilateral aid cooperation with China in the future.

This research collects extensive firsthand data on Chinese trilateral aid cooperation and analyses three of China's trilateral aid projects in the case study chapters in-depth: the China–UNDP–Cambodia trilateral cassava project, the China–Australia–Papua New Guinea trilateral cooperation on malaria control and the China–US–Timor-Leste trilateral cooperation on food security. Research is also conducted on China's other trilateral projects, including the China–New Zealand–Cook Islands trilateral project on water supply and the China–Australia–Cambodia trilateral project on irrigation dialogue. This book also closely follows China's trilateral cooperation with the UNDP, UK and other donors in Africa. Most of the interviewees during my field work were senior aid officials from China, traditional donors, multilateral development agencies and recipient countries; they were also officials and aid experts who were deeply involved in these projects. This has enhanced the quality of the research findings by making the voice of these main players prominent and, in doing so, reducing the risk of analytical speculation that can arise from over-reliance on secondary sources.

## **Main Argument**

The main argument of this book is that China's adoption of trilateral aid cooperation is the result of its stronger desire for building its global image as a responsible great power and for cognitive learning to improve its aid performance. The Chinese government has strategically used trilateral aid cooperation to build its global image as a responsible rising power since the early 2000s. Technically, China has aimed to learn selectively from traditional donor states and international development organisations so it can improve its aid delivery via trilateral aid cooperation.

These two perspectives are analytically distinct from each other so that mutual disturbance can be avoided. To elaborate, they focus on China's interest calculations and international engagement, respectively. As will be argued later, China is emphasising global image–building more as part of its interest calculation, which somewhat relates to the pressure arising from traditional donors and multilateral agencies. However, external pressure is not the decisive factor for China's global image–building. The deep-rooted reason relates to China's adjustment of its identity and national interest calculation during shifting international and domestic circumstances.

As an example, China officially adopted the reform and opening-up policy in 1978 due to its changing identity and national interest calculations. China began to highlight its identity as a developing country rather than as a socialist country and prioritised economic development over ideological considerations. The improved relationship with Western nations in the 1970s is a supporting, rather than decisive, factor for China's reform and opening up. Similarly, external pressure is also a supporting rather than defining reason for China's emphasis on global image-building, as China can choose to take or reject the pressure. The first perspective thus differs from the second perspective.

## Book Structure

The current chapter, Chapter 1, provides the introduction to the book. It sets the broad analytical background for this research, including its theoretical and policy relevance. It introduces the research question, identifies the research gap and explains the study's main contributions. The entire structure of the book can be briefly summarised as follows.

Chapter 2 outlines the conceptual framework for the research. It begins with a brief discussion of China's motivations behind bilateral aid and then introduces the three analytical perspectives on Chinese trilateral aid cooperation, including China's interest calculations, international engagement in foreign aid and domestic aid management institutions. Constructivist theories of international relations and knowledge-based cognitive learning regime theories of identity, interests and ideas—which will be tested in the book—are introduced. What follows is a brief explanation of the research methods and of the three Chinese trilateral aid projects in Cambodia, Papua New Guinea and Timor-Leste.

Chapter 3 outlines the adoption of the conceptual framework in China's context. It approaches Chinese trilateral aid cooperation from three perspectives. First, this chapter explains how changes to China's identity have affected its interest calculations and preferences for development cooperation in terms of the Chinese government's interest calculations. Second, in terms of international engagement, the chapter categorises and reviews the interaction between China and external donors, especially UN agencies and traditional donor states from 1950 onwards. It further explains how the cognitive learning process during interaction has influenced China's attitude towards development cooperation with these

partners. Third, in terms of domestic institutions, the chapter examines China's complicated aid management system and explores the diversified positions of China's different ministries and interest groups regarding trilateral aid cooperation. These three perspectives will be discussed in detail in the case study chapters.

The next three chapters aim to test the aforementioned theories and my central argument by tracing China's three trilateral aid projects in the Asia-Pacific region. Chapter 4 analyses China's trilateral aid cooperation with the UNDP—especially the China–UNDP cassava project in Cambodia, which is the first trilateral project between the two donors. Chapter 5 redirects to the Pacific region, a place of small island countries and a relatively limited number of donors, which facilitates the comparison of donors. The chapter focuses on China's development cooperation with Australia, the leading traditional donor in the Pacific, which is an excellent example of China's engagement with a donor who enjoys regional dominance. Similarly, Chapter 5 starts by analysing the China–Australia engagement on foreign aid since 1979, as Australia is the first Western state to provide aid to China. What follows is an in-depth analysis of the China–Australia–Papua New Guinea trilateral aid project on malaria control, the first trilateral project between China and Australia. Chapter 6 discusses trilateral aid cooperation between China and the US; the two are the contemporary world's largest traditional donor and emerging donor, respectively. The chapter also traces the process of the China–US trilateral project in Timor-Leste, which is the first such project between China and the US in Asia.

While testing constructivism and cognitive theories on identity, interests and ideas, this book will also engage with alternative explanations from international relations theories regarding China's adoption of trilateral aid cooperation. For example, it will discuss whether the neorealist perspective could explain the growing trilateral aid cooperation between China and the US—who are potential rivals, as foreign aid is ultimately believed to be about serving respective national interests. As Kenneth Lieberthal and Wang Jisi argued, 'the US-China strategic distrust is growing, is potentially very corrosive' (Lieberthal & Wang, 2012, p. 49). As such, the China–US trilateral aid cooperation is a least likely case with strong analytical power. At a time when these two great powers are caught in an atmosphere of growing strategic rivalry, their continued commitment to trilateral aid cooperation deserves our further attention.

Chapter 7 builds upon the three case study chapters and extends further by providing an overview of China's trilateral aid cooperation, including the main features, China's official position and the bureaucratic arrangement for this modality. It will then discuss the future prospects of China's trilateral aid cooperation. The chapter will also examine China's foreign aid reform, in which trilateral aid cooperation is situated, and the newly created China International Development Cooperation Agency.

Chapter 8 is my reflection on this research. It will revisit the broad question: what are the most appropriate international relations theories that can interpret China's trilateral aid cooperation and overall foreign aid? A second question to be discussed is, what is the relationship between China's growing willingness to undertake trilateral aid cooperation and its seemingly assertive diplomacy? The scope for future research on China's triangular aid cooperation will also be examined.

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