

3

China's Foreign Aid and Trilateral Cooperation: Interest Calculations, International Engagement and Domestic Institutions

Introduction

Building on the three theoretical dimensions of my conceptual framework that was outlined in Chapter 2, this chapter¹ will further elucidate them in China's context. It will examine China's political, economic and global image interest calculations in its provision of overseas assistance, China's international engagement in development assistance and China's domestic bureaucratic institutions of foreign aid management. These three dimensions will help explain the rationale of China's foreign aid policy and its evolution. They will particularly provide insights into China's adoption of trilateral cooperation as a new modality of aid delivery amid its seemingly immutable aid practice with Chinese characteristics.

This chapter is organised into four sections. The first two elaborate on China's interest calculations and international engagement; section three introduces Chinese aid agencies and their reactions to trilateral aid cooperation; and the final section summarises the findings—that China's

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adoption of trilateral aid cooperation is the result of its stronger desire to build its global image as a responsible great power and for cognitive learning to improve its aid performance.

China's trilateral aid cooperation will be analysed against the broad backdrop of the evolution of Chinese development assistance. The rationale is threefold. First, as ideas and norms seldom change over the short term, a long period is needed to test whether China's aid policies have changed, which have changed and whether the changes are caused by a change of ideas or one of material power. This will offer us insights regarding the extent to which China's adoption of trilateral cooperation is instrumental or otherwise. Second, China's trilateral aid cooperation remains in its infancy. The numbers of projects and scholarly research are limited, so examining the historical reasons for the shifts in China's aid policies will help us understand China's current involvement in trilateral aid cooperation. A final, but methodologically important, reason for doing so is that China's aid projects are occasionally subject to the influence of case-specific factors (e.g. an individual official's personal preferences or connections). These cases cannot fully reflect the actual reasons for China's trilateral cooperation. If this research focuses only on recent years in its examining of China's trilateral cooperation, it could miss the longer-term setting for China's evolving approach and changing motivations. Situating China's trilateral aid cooperation in historical context reduces this risk.

Interest Calculations and China's Trilateral Aid Cooperation

This section attempts to analyse whether China's identity and calculations of its political, economic and global image-building interest have changed. If so, how have these changes related to China's participation in trilateral aid cooperation?

Before proceeding, the relationship between China's foreign aid and its foreign policy must be explained to understand Chinese aid evolution. The Chinese government has repeatedly emphasised that the provision of foreign aid is an integral part of China's foreign policy. In October 2010, China's Minister of Commerce, Chen Deming (2010, p. 1), stated that 'the foreign aid of our country is an important part of our external work'.

As China's foreign policy serves its national development, the study of China's foreign aid should be juxtaposed against the broader backdrop of China's development.

The pursuit for prosperity has been China's core focus after suffering the invasion and piecemeal occupation of Western powers and Japan from the 1840s. A belief that strong societies survive while the weaker ones perish has formed the core philosophy of the Chinese leadership (Waley-Cohen, 1999, p. 209). The 'century of humiliation' has tremendously influenced Chinese nationalism, which features a strong sense of insecurity in regard to China's international position (Callahan, 2010; Gries, 2004, pp. 43–53). Domestic development and economic growth have consequently become the top priority of China's national policy since its adoption of 'reform and opening up' in 1978—and substantial progress has been achieved. Susan Shirk (2007, p. 17) argued that 'China's dramatic economic transformation has revived it as a regional and global power after over a century of humiliating weakness'.

China has been a beneficiary of engagement with other nations in the past four decades. It has changed from being 'a revolutionary to a stakeholder' of the international system (Wang & Rosenau, 2009, p. 11). Beijing has realised that it must continue opening itself to the outside world. Chinese leadership has emphasised the need to consider both the circumstances within China and abroad and China's domestic and overseas markets (Hu, 2007, p. 1). China has looked outward to secure resources for maintaining its growth trajectory and protecting its interests 'by all means necessary' (Economy & Levi, 2014). The Chinese government considers development assistance a useful tool in the service of these objectives. In 1989, then Vice Minister of MOFCOM and later Vice Premier Li Lanqing highlighted that:

Providing foreign aid is a serious political task and has been under the direct leadership of the Chinese Communist Party Central Committee and the State Council. It is China's global obligation and an important component of its diplomacy to provide economic and technical assistance to friendly countries from the Third World. This is very necessary in order to strengthen China's solidarity and cooperation with the Third World and to create a peaceful and stable global environment to serve China's socialist modernization. It also plays an important role in raising China's global position and influence. (Shu, 1989, p. 3)

Since 2000, the Chinese leadership has stressed the importance of leveraging foreign policy to better use the period of strategic opportunity (*zhanlüe jiyuqi*) in supporting China's economic development in the first two decades of this century (Wu, 2009a, p. 1). The main objective of Chinese diplomacy is to secure a sound international environment for facilitating China's domestic economic development over this 20-year period. As a part of China's foreign policy, its foreign aid is provided to serve this main objective. It is helpful to bear this context in mind when interpreting China's foreign aid.

1949–1978: As a Socialist Country

From 1949, when the People's Republic of China (PRC) was founded, until 1978, when China officially adopted its reform and opening-up policy,² China was isolated by US-led Western countries and later by the Soviet Union when relations deteriorated in the late 1950s. During this period, China's identity as a socialist country was more visible in its foreign aid provision than in other aspects of its identity. China provided foreign aid to other socialist and developing countries to construct an extensive united front against Western countries and, later, the Soviet Union.

In October 1958, the Chinese government issued an official document stating that:

Foreign economic and technical assistance work is a serious political task. Any mistake in foreign aid work may have an unfavourable political impact, to which the whole party must pay high attention. (Xinhua, 2005, para. 2).

The eighth National Congress of the Communist Party of China (CPC) concluded that the growth and solidarity among socialist countries was the most favourable international condition for building socialism in China (Liu, 1956). Chairman Mao Zedong told African delegates in 1963 that 'it is our international obligation as a nation that has achieved revolutionary success to help those countries who are still fighting for their revolutionary success' (Xinhua, 1963, p. 1).

2 Some scholars, including Warren Sun and Frederick Teiwes, argued that many reforms had started during Hua Guofeng's administration before 1978—but 1978 has become an easy shorthand period. For more information, see Teiwes and Sun (2010).

When Somali Prime Minister Abdirashid Ali Sharmarke expressed his gratitude to China for an aid of 80 million Swiss francs, China's Premier Zhou Enlai replied that China is obligated to provide aid to other countries that achieved victory at a later stage because China had achieved revolutionary victory earlier than them (Ministry of Foreign Affairs [China], 1993, p. 216). Premier Zhou highlighted in his report to the third National People's Congress in December 1964 that:

The basic point of departure of China's foreign aid policy is to provide aid to support socialist construction in fraternal countries and increase the strength of the socialist camp based on the spirit of proletarian internationalism. China's aid to fraternal countries and newly independent countries increases the strength of the socialist camp and reduces the strength of imperialism, which means great support to China in return. (Xinhua, 1964, p. 1)

Though the flavour of ideology has faded since 1978, China still formally maintains this obligation. In March 1983, Chinese leaders at the sixth national conference on work relating to foreign aid emphasised that China as a socialist country must provide aid to other countries even though China itself is poor, because this is determined by China's identity as a socialist country (Shi, 1989, p. 70).

To China, the importance of developing beneficial political relations with other developing countries can never be downgraded because it needs their support in its international affairs. Chinese leaders repeatedly emphasise at the CPC National Congress that it is China's fundamental standing point to strengthen its solidarity and cooperation with Third World countries.³ The support from developing countries for the PRC's admission into the UN Security Council in 1971 remains fresh in the minds of the Chinese leadership. Among the 23 developing countries who initiated the supportive proposal, 22 were recipients of China's foreign aid, with Yugoslavia as the only exception. Forging relations with developing countries has formed the basis of China's political interest when it provides foreign aid. It explains why political interests prevail over short-term economic interests during times of conflict.

3 For example, see Xinhua (2002).

1978–1999: As a Developing Country

Since China formally adopted the reform and opening-up policy in 1978, its identity as a developing country was emphasised and domestic economic development became its top priority. To facilitate its engagement with the outside world, China became an ardent supporter of the existing global economic order—which is in stark contrast to Mao’s opposition in the 1950s and 1960s (Lampton, 2007). The Chinese government amended the ideology-based foreign policies and used a more pragmatic approach to its foreign aid provision. Although China continued to provide aid to Third World countries, guided by the principle of ‘being practical and acting within one’s capacity’ (*shishi qiushi, liangli erxing*), it tightened its control on its aid budget, which accounted for as high as 6–7 per cent of government expenditure in the early 1970s (Zhou & Xiong, 2013, p. 19).

In 1996, Yan Xuetong, dean of the Institute of Modern International Relations at Tsinghua University, ranked China’s national interests according to the urgency and importance of four factors: external environment, national strength, levels of science and technology, and subjective understanding. He argued that China’s prime national interest is its economic interest, followed by its political, security and cultural interests (Yan, 1996, p. 111).

Advertising its identity as a developing country elicits benefits for China. It places China in an advantageous position to focus on domestic development and to guard against pressures from traditional donors and recipient countries who push China to provide more aid. Mao Xiaojing, division chief from the China Academy of International Trade and Economic Cooperation (CAITEC), argued that as Western donors try to pressure China’s foreign aid, shape China’s aid delivery and integrate China’s foreign aid into the Western-dominated aid regime, China can repel the pressure by insisting that its aid is a south–south cooperation and that it differs from Western aid (Mao, 2010, p. 60).

Compared to traditional donors, China’s identity as a developing country offers it the natural advantage of partnering with other developing countries and of gaining their support on global issues. As China’s then Premier Zhao Ziyang reaffirmed at the conference on south–south cooperation in Beijing in April 1983, the Chinese government will unswervingly

use its solidarity and cooperation with Third World countries as China's fundamental standing point for its foreign policy (Zhao, 1983, p. 261). The Chinese government highlights this even in the present day.

By maintaining its identity as a developing country, China does not consider itself a 'donor'. China regards its foreign aid as being south–south cooperation and believes that it differs significantly from Western aid or north–south cooperation. This justifies the way that China uses its aid to promote mutual benefit. While assisting other countries, China believes that it is understandable to secure access to natural resources in recipient countries and to support Chinese companies in exploring markets in these countries (Interview with Chinese contractors, Port Moresby, November 2014). China believes that it is appropriate to use Chinese contractors, workers and building materials for its aid projects because it must create employment opportunities for its citizens at home (Interview with Chinese contractors, Port Moresby, November 2014). This explains why Zhu Hong—deputy director-general of the Department of International Trade and Economic Affairs (DITEA) of MOFCOM—highlighted the 'common but differentiated responsibilities' between traditional and emerging donors (MOFCOM, 2011a) when he attended the fourth high-level aid effectiveness forum in Busan in April 2011.

The benefits of identifying as a developing country also explain why—when the international community began to debate whether traditional donors should still provide aid to China—MOFCOM hosted a policy coordination conference for donors and international organisations in December 2004 to quell the debate. MOFCOM's then Assistant Minister Yi Xiaozhun told the conference that although China's economy has been growing fast, the per capita GDP is still low and that China is far from graduating from poverty. He insisted that China still needed full support from the international society and that foreign aid to China would continue to play an irreplaceable role in China's development (Shi, 2004, p. 1).

It should be noted that China's experience of domestic economic development has informed its foreign aid program. For example, Merriden Varrall (2013) argued that this experience has underpinned Chinese elite views of 'what is "developed"', 'how development should be achieved' and 'how should China play a role in international development' (pp. 243–253). From 1978 to 1999, China was preoccupied with its economic development task at home as a developing country. It did not

have any incentive to promote trilateral cooperation with traditional donors. Although it continued providing overseas assistance, it was not central to China's foreign policy.

Since 2000: As a Rising Great Power

China's identity as a rising great power has received growing attention from the Chinese government since 2000. China's growing economy paves the way for regaining its lost position as a global great power. As David Lampton argued, China's growing capacity that was built over the past four decades has transformed its global role and has strengthened its power projection—including not only military might, but also other means, such as overseas financing and development assistance (Lampton, 2014, pp. 51–52). Being recognised as a global great power requires not only a growing economy, but also a positive global image to earn respect from other nations. This explains why the Chinese government places an increasing emphasis on global image-building.

Is China using foreign aid provision as a tool to amplify its global image as a responsible leader? If so, we should expect to see China fulfil its moral duty by continuing to deliver foreign aid and by becoming more responsive to the increasing demands for more aid from recipient countries and to the demands from traditional donors and recipients to improve aid delivery in areas such as social responsibility and environmental protection. Evidence indicates that the Chinese government is becoming more conscious of external criticism regarding its foreign aid, whether from recipient countries or from traditional donors. It is aware of traditional donors' demands for more cooperation in development assistance.

The emphasis on moral duty can be traced back to the early years of the PRC. Chairman Mao Zedong (1956, p. 1) said in 1956 that 'China, a country with an area of 9.6 million km² and a population of 600 million people, needs to make a fairly big contribution to mankind'. China's leader, Deng Xiaoping, also said in 1979 that:

Though China faces economic difficulties, we still need to allocate a certain amount of money for foreign aid. When China is fully developed, it needs to allocate a substantial amount of money for foreign aid. China should not forget about this when it is fully developed. (Shi, 1989, p. 70)

President Jiang Zemin stated in 1990s that 'we cannot forget about our poor friends just because our economy is developed, or because our economic development only needs the funds and technologies from the developed countries' (Cui, 2010, p. 6).

Recently, the moral imperative of China's foreign aid was further highlighted with increasing attention being drawn to China's foreign aid and with growing pressure on the Chinese government to increase aid transparency and accountability. After the release of China's second white paper on foreign aid in July 2014, searches for 'China's foreign aid' on Baidu (China's largest search engine) increased by 81 per cent in the first month (Song, 2015, p. 81). Figures 3 and 4 illustrate the rapid growth of international⁴ and domestic⁵ attention to China's foreign aid.

Since 2000, the Chinese government enacted a series of new concepts intended to mute the 'China threat' discourse and improve China's global image. In September 2005, Chinese President Hu Jintao officially raised the concept of 'building a harmonious world' (*jianshe hexie shijie*) when he addressed the 60th session of the UN. He announced substantial aid measures and pledged that China was willing to collaborate with the international community to promote a twenty-first century that benefits everyone (Hu, 2005, p. 3). MOFCOM Minister Chen Deming highlighted that providing foreign aid and honouring its global obligation is an important way for China to present its image as a responsible great power⁶ and make its contribution to building a harmonious world visible (Chen, 2010, p. 44).

4 The key searching words are 'China's aid' OR 'Chinese aid' OR 'China's foreign aid' OR 'China's foreign aid' OR 'China's assistance' OR 'Chinese assistance' OR 'China's foreign assistance' OR 'China's foreign assistance' OR 'Chinese overseas assistance'. All these phrases are typed in one search to maximise searching results.

5 The key searching terms are '中国援助' (*Zhongguo yuanzhu*, China's aid/Chinese aid) OR '中国对外援助' (*Zhongguo duiwai yuanzhu*, China's foreign aid/Chinese foreign aid) OR '中国援外' (*Zhongguo yuanywai*, China's aid overseas/Chinese aid overseas) OR '中国外援' (*Zhongguo waiyuan*, China's aid overseas/Chinese aid overseas). All these phrases are typed in one search to maximise searching results.

6 This point could also be supported by China's rapidly growing humanitarian assistance overseas in recent years.

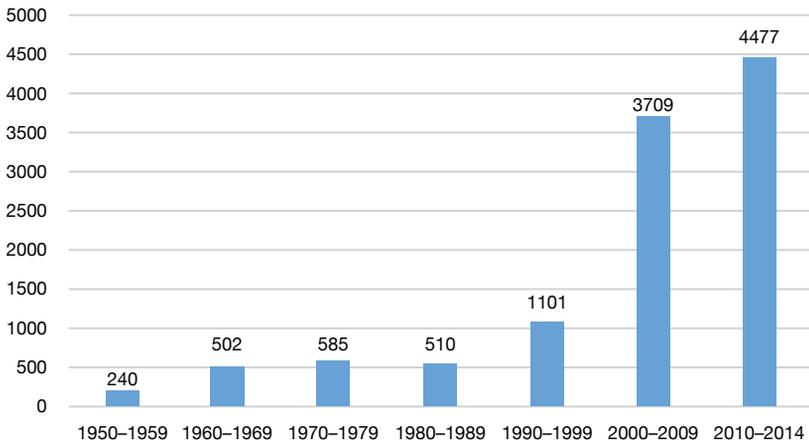


Figure 3. International reports on China's foreign aid

Source. Compiled by the author from the ANU Library ProQuest database.

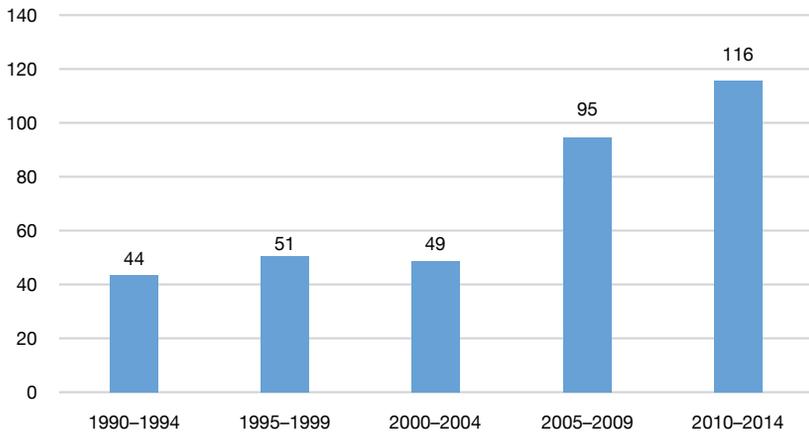


Figure 4. Domestic reports on China's foreign aid

Source. Compiled by the author from the ANU Library People's Daily database.

China released its white paper on peaceful development in September 2011 and promised to follow a path of peaceful, cooperative and common development (State Council, 2011c). A senior official from MOFCOM's Department of Foreign Aid (DFA) explained that the release of China's first white paper on foreign aid in 2011 was to respond to the longstanding concerns of Chinese citizens and the international community regarding China's foreign aid (Zhao & Wang, 2014).

At the central conference on work relating to foreign affairs held in November 2014, China's President Xi Jinping emphasised that China had to perform good work on foreign aid to uphold justice and to pursue shared interests (*hongyi rongli*) (Xinhua, 2014b). In February 2015, President Xi and Premier Li Keqiang attended the conference on the work of economic offices in China's diplomatic missions overseas, which reiterated the importance of upholding the right concepts of justice and interests in China's foreign aid (*zhengque yiliguan*) (Xinhua, 2015d).

At the UN sustainable development summit in September 2015, President Xi stressed that China will continue taking a right approach to justice and interests by prioritising justice over interests (*yili xiangjian, yili weixian*) (MFA, 2015a). He pledged that China would provide an initial contribution of \$2 billion⁷ to establish a south–south cooperation assistance fund and that China would waive the debt of the outstanding intergovernmental interest-free loans that were due by 2015 and owed by the least developed, landlocked and small-island developing countries (MFA, 2015a). This provides some evidence to suggest that China considers its obligations as a rising great power seriously.

The Chinese government has dedicated greater efforts to improving its image by providing better aid. One example is that China is improving the quality assurance of its foreign aid projects in the 2014 'Measures for the Administration of Foreign Aid', a document that outlines long-term quality assurance and technical support for China's complete aid projects.⁸ As MOFCOM Assistant Minister Zhang Xiangchen explained, the emphasis on the quality assurance of China's aid projects is a main feature of China's aid management reform. He stated that 'the work of foreign aid relates to China's image. We cannot tolerate any negligence or project of poor quality' (MOFCOM, 2014b).

To improve its global image, China has even begun softening its position on some of the defining principles of its foreign aid. Deborah Bräutigam provided an example of how China's non-interference policy experienced changes in Darfur. She described how, at first, China refused to support the UN in pressuring the Sudanese government to accept the deployment of UN peacekeepers in Darfur. As the international pressure increased

7 An additional \$1 billion was committed in May 2017.

8 Complete aid projects refer to those that are conducted by China from designing to completion. Most of them are infrastructure projects.

and campaigns surfaced to boycott the 2008 Beijing Olympic Games in protest of China's role in Darfur, China's position began to change. Chinese President Hu Jintao persuaded Sudan's President Bashir to agree to the UN proposal. China appointed a special envoy to continue the dialogue and later dispatched 300 peacekeepers to join the mission. Bräutigam argued that 'without the threat to the Olympics, Hu Jintao may not have been so keen to ensure that Khartoum "got the message" [China wants Khartoum to accept the deployment of the UN peacekeeping mission]' (Bräutigam, 2009, pp. 281–284).

Interest Calculations and China's Growing Trilateral Aid Cooperation

The change of China's identity focus has informed China's interest calculations and foreign aid policy changes. Since 2000, China's identity as a rising great power is receiving more attention from the Chinese government. This signifies that the Chinese government is seemingly willing to pilot more trilateral cooperation projects to improve its global image as a responsible global power—although, as will be demonstrated, the attitudes of China's aid agencies towards trilateral partnership vary. While continuing to retain its identity as a developing country, China is becoming economically stronger and can afford to sacrifice some short-term economic interests for the benefit of its global image. The remarks of then Chinese President Hu Jintao further evidence that the Chinese government is firm in regard to using foreign aid to serve its national interests, including global image-building. In regard to the relations between commercial and public interests, the market and the government in China's foreign aid, President Hu emphasised, 'The government cannot be held hostage to the market. On the contrary, it should guide the market' (Zhou & Xiong, 2013, p. 28).

The Chinese government considers trilateral aid cooperation a new method of pacifying traditional donors and improving China's global image. It wants to be regarded as a responsible stakeholder who is willing to honour its obligations as an emerging donor in certain areas, including aid coordination. It wants to convey the message that China has no intent to challenge the traditional donors' leadership in the international aid regime or alter the status quo. During meetings at the sideline of the fourth World Trade Organization (WTO) aid for trade global review

conference in Geneva in July 2013, MOFCOM Vice Minister Li Jinzao noted that China would continue increasing its foreign aid, but that south–south cooperation would complement north–south cooperation, which remains the main channel of development assistance (MOFCOM, 2013b). Compared to some other areas, foreign aid is a less sensitive area to pilot cooperation between China and traditional donor nations. In the context of China's rise as an emerging donor and the substantial differences between China and traditional donors in its bilateral aid, trilateral aid cooperation, if it proceeds well, can potentially become a new modality for these two types of donor configuration to find common ground in development cooperation. More than that, trilateral aid cooperation will also enrich broader bilateral relations between China and traditional donors. Xu Weizhong, director of the African Research Institute of China Institute of Contemporary International Relations said:

Trilateral aid cooperation is a new area for emerging donors and developed countries to learn to live with each other. If China and traditional donors such as European countries cannot cooperate on aid issues, how can we expect them to cooperate in other areas that are more sensitive? (Interview, Beijing, 24 August 2015)

Further evidence for this shift came when President Xi announced a generous aid plan at the UN sustainable development summit on 26 September 2015, which triggered a heated debate among Chinese citizens. To counter the negative reactions, the *People's Daily* published a long article two days later that listed five benefits justifying China's overseas assistance:

History has proven that moral conduct and efforts to safeguard justice will be paid off at the international arena. Regarding China's forgiveness of debts owned by the least developing countries, let's listen to what Xi Jinping has said, 'We need to pay more attention to big gains rather than small gains. Especially we need to pay more attention to political and strategic gains rather than economic and short-term gains'. (Wang, Li & Li, 2015, para. 15)

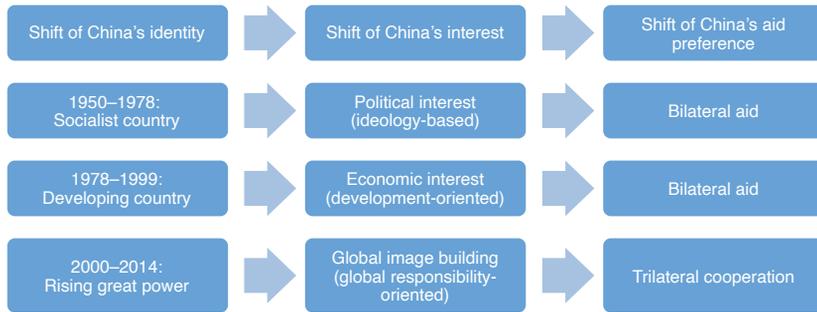


Figure 5. China's changing identity, interest calculations and aid modality preferences

Source. Compiled by the author from own analysis.

To summarise, as Figure 5 illustrates, China's shifting focus among its three identities—socialist country, development country and rising great power—has informed its shifting interest calculations and aid modality preferences. Professor Gilbert Rozman from Princeton University argued that 'China's identity has changed more rapidly than that of other states' (Rozman, 2012, p. 95). Although these three identities exist concurrently in China, the focus of China's identity has shifted due to the changes in its domestic and international circumstances. In the first stage of China's foreign aid (1950–1978), China focused on its identity as a socialist country. This drove China to use foreign aid bilaterally to promote the construction of a revolutionary united front against Western capitalist nations. In the second stage (1978–1999), China focused on its identity as a developing country, concentrating on its domestic economic development and reducing its foreign aid. Since 2000, China has focused on its identity as a rising global power and has used foreign aid to promote the building of its global image as a responsible and leading global power. Although bilateral aid continues to dominate Chinese aid program, China pilots trilateral aid cooperation as a new means of benefiting its global image.

It should be noted that a state's identities and interests are always multifaceted and that they cannot simply be reduced to single formulations over a set time (see Shambaugh, 2013). Similarly, the boundaries of China's three identities, as analysed above, are not clear-cut, but blurred; China's emphasis on one particular identity within a specific period does not exclude the presence of the other two. It signifies that this identity is more visible and that it receives more attention from China's policymakers. The other two identities remain, along with their influences and norms. It is equally important to recognise that, internally, China is far from

a monolithic entity (see Kelly, 2006, p. 429). For example, China's aid agencies have divergent interests and compete acutely for influence in decision-making, as will be discussed in the next section.

International Engagement

This section will examine the influence of China's growing international engagement—especially with traditional donors and UN agencies—on its conduction of trilateral cooperation. It will discuss whether and how this interaction has contributed to mutual learning and to the mindset changes of Chinese policymakers regarding foreign aid, as well as whether and how this interaction led to China's gradual acceptance of trilateral cooperation as an acceptable aid modality. The analysis will concentrate on five periods within the trajectory of Chinese aid policy evolution (see Figure 6) and it will test the role of engagement and mutual learning in triggering changes. The fifth period will be highlighted because it relates to China's adoption of trilateral aid cooperation.

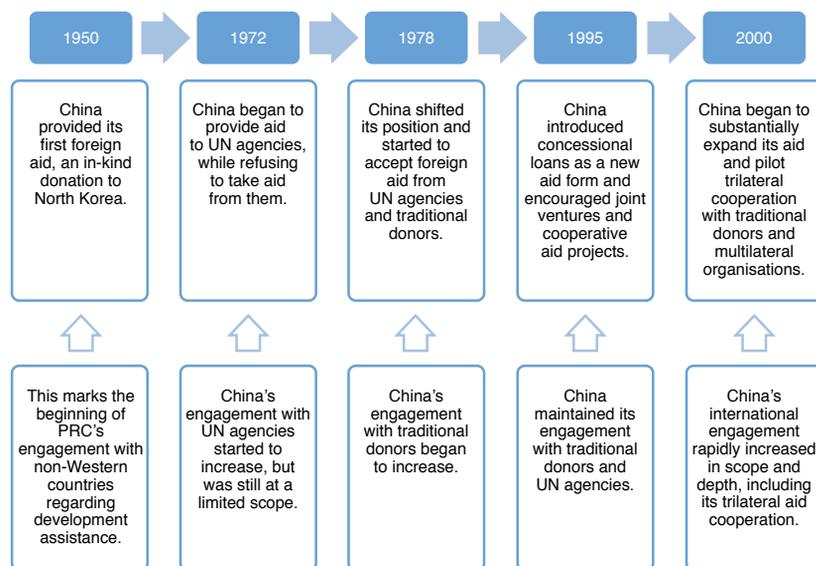


Figure 6. China's foreign aid evolution and five crucial time points⁹

Source. Compiled by the author from own analysis.

⁹ There are different ways of demarcating China's aid history. For example, former MOFCOM Deputy Minister Fu Ziyang divides China's aid history into five periods: 1950s, 1960s–1970s, 1980s, 1990s and 2000s. Professor Zhou Hong from the China Academy of Social Sciences (CASS) merges these into three periods: 1950–1970s, 1980–1990s and 2000s. See Zhou and Xiong (2013).

The focus on the learning process also arises from the Chinese government's own claim that it is a firm supporter of international exchanges and that it has effectively learned from international engagement in development assistance. As China has been exposed to the outside world in diversified areas—including foreign aid—since late 1970s, its learning claim will be tested.

Learning from Non-Western Countries (1950–1971)

The Kuomintang regime did not provide aid in the period from 1928 to 1949, a time of domestic disturbance. The PRC's international engagement on development assistance began as early as 1950, when it provided in-kind donations to the Democratic People's Republic of Korea and marked the beginning of the PRC's foreign aid. China later provided foreign aid to other socialist and developing countries.

At that time, China received aid from the Soviet Union and socialist countries in Eastern Europe (Wu, 2010). China initiated the aid from the Soviet Union to obtain capital, equipment, knowledge and development experience to support industrialisation. China proposed the aid projects, machinery equipment and list of experts to the Soviets (Zhou, 2015, p. 17). In the 1950s, China received around \$1.4 billion aid in loans from the Soviet Union for the construction and upgrading of 156 industrial projects in China (Wei, 1992, p. 5).¹⁰ These included military and economic loans, most of which had an annual interest rate of 2 per cent for two to 10 years (Shi, 1989, p. 318).

The process of China learning from the Soviet Union is apparent. In the early 1950s, the Chinese government realised that it had to fully rely on learning from the Soviets to build modern factories in China—including using Soviet design, technologies, machinery and experts—which was a realisation that was put into practice (Shen, 2001, pp. 58–59). Zhou Hong reinforced this point:

10 According to Shen Zhihua, China received \$300 million aid in loans from the Soviet Union in the early 1950s. The loans had a duration of five years, with an annual interest rate of 1 per cent. They were provided to China in the form of machinery, equipment and materials. One condition for the loans was that China had to supply strategic metals (e.g. tungsten, antimony, lead and tin) to the Soviets. See Shen (2001).

The Soviet Union's planning and management methods were solidified into the systems and mechanisms of China's planned economy ... Aid projects [from the Soviet Union] brought not only hard-ware and equipment to China, but also technology, ideas, management methods, behaviours, and a whole set of management system for planning. These factors, together with Soviet aid to China's heavy industrial machinery, continued to influence China's development path and development model between the cessation of Soviet aid and the beginning of aid from the West. (Zhou, 2015, p. 18)

From 1950 to 1971, China's international engagement on foreign aid was restricted to socialist and developing countries because China was isolated by US-led Western nations who recognised the Republic of China (Taiwan) at the UN. In this period, China's foreign aid provision was dominated by ideology, which reflected the broader Cold War context. The objective was to construct beneficial relations with other socialist and developing countries and improve China's political status and national security. However, even during this period, China's foreign aid yielded lessons to support China's own economic development.

China's then Premier Zhou Enlai stressed that providing foreign aid to other countries could spur China into making greater progress in economic and technological development. To Zhou, the wishes of recipient countries forced China to work harder and be more innovative; he urged Chinese aid technicians to learn the latest technologies from other countries, such as desert road-building skills from the United Arab Emirates and Morocco (Xue, 2013, pp. 72–73). Foreign aid also provided an opportunity for testing new technologies. The technology of building light, steel-structured factory buildings was successfully tested in the China-aided construction of the matches and cigarette factory in Guinea, and it was later applied to buildings in southern China (Xue, 2013, p. 73). Similarly, China tested and produced a second-generation diesel locomotive for the Tanzania–Zambia railway, China's largest foreign aid project at the time (Chen, 2011, p. 5).

Limited Engagement with UN Agencies (1972–1978)

China's engagement with UN agencies on foreign aid officially began in 1972. In October 1971, the PRC won China's seat at the UN, including a permanent membership of the UN Security Council from the Republic of China (Taiwan). This paved the way for China's economic and technical cooperation with UN agencies. China established cooperative relations with UN agencies, including the UNDP, UNIDO and the UN Department of Technical Cooperation for Development (Shi, 1989, p. 496). China began attending international conferences on development issues, voicing its official positions and being involved in the policymaking processes of these UN agencies and the review of their financial and administrative work (Shi, 1989, pp. 496–497). In addition, China began providing voluntary donations to UN agencies, which were used to arrange visits, technical training and international conferences in China for other developing countries. From 1972 to 1978, China donated a total of RMB 16.2 million and \$400,000 to the UNDP, UNIDO and the UN Capital Development Fund (Shi, 1989, p. 498).¹¹

China itself was poor in this period and required foreign assistance. UN agencies were enthusiastic about including China in their aid programs, but they were rebuffed by China. In that ideology-based era, China equated the concept of 'self-reliance' (*zili gengsheng*)¹² with rejecting external assistance. Even after a 7.8-magnitude earthquake that levelled Tangshan city in 1976 and that claimed 240,000 lives, the Chinese government refuted offers of humanitarian aid from the international community (Han & Ren, 2008, p. 26). In this period, when China was experiencing the final years of the Cultural Revolution, the people remained conservative and the influence of ideology remained strong. Consequently, although the door was open, China's engagement with UN agencies remained limited in scope and restricted to voluntary donations to the UN, conference participation and involvement in some UN activities. China began obtaining fresh knowledge of the UN system, but the potential for

11 The donations were made in RMB and US dollars, respectively. Consequently, I did not convert them into the same currency.

12 The Chinese government has been emphasising the concept of 'self-reliance' (*zili gengsheng*) since the founding of the PRC in 1949. The concept was included in China's official documents, such as the government report of 1964. The Chinese government drew this conclusion from the bitter experience of China's 'century of humiliation' (1840–1949): that the help of foreign countries in nation building was not reliable. In 2018, the Xi Jinping administration re-emphasised this concept of 'self-reliance', as the trade war with the US escalated.

learning was outweighed by ideological considerations, as China refused aid offers from the UN and missed opportunities for further engagement and mutual learning.

Active Engagement with UN Agencies and Traditional Donors (1978–1994)

The year 1978 was a turning point in China's foreign policy. The third plenary session of the 11th CPC central committee in December 1978 elected a new leadership that was led by Deng Xiaoping and that endorsed the reform and opening-up policy. Under the new leadership team, peace and development were endorsed as the two central themes of the era, and domestic economic development was prioritised as the paramount task. Ideology-based policies began to weaken.

The mindset of China's policymakers subsequently changed. They believed that China should use all possible opportunities, including accepting external assistance, to facilitate economic development. China's permanent mission to the UN produced a report in 1970s that recommended China make good use of the UN's \$25 billion annual aid budget, including around \$5 billion in grants—and this report caught the attention of Chinese high-level officials (Wang, 2001, p. 172). China began adopting a new aid principle—'to take while giving' (*you ji you qu*)—which allowed it to receive foreign aid while providing aid overseas.

Guided by this principle, China opened its doors to UN agencies and traditional donors and began accepting their aid. This marks a significant shift in China's foreign aid policy. In 1978, China began approaching the UNDP for economic and technical assistance for the first time and it received a positive response (Shi, 1989, pp. 498–499). In 1979, China commenced receiving aid from the UNDP and, later on, from other UN agencies, including the UN population fund, UNICEF and UNIDO. From 1979 to 1985, China received \$210.8 million in grants from UN agencies (Shi, 1989, p. 500). The country received more external aid than it gave in aid overseas, becoming a net recipient in 1986. Taking the UN system as an example, China donated RMB 29.11 million and \$23.41 million¹³ in total to UN agencies over the period from 1972 to 1987, while it received over \$300 million aid from the UN from 1979 to 1987 (Zhang, 1989, p. 1).

13 The donations were made in RMB and US dollars, respectively.

The Chinese government felt more comfortable working with UN agencies on development cooperation, regarding them as politically neutral compared to Western countries.¹⁴ China was also attracted to the UN agencies' advanced technologies, strong fundraising capacity and established information network that could be used to support China's own development. For example, the UN population fund provided high-performance computers that could not be purchased from commercial channels to assist China in conducting its third national census (Wang, 2005, p. 3). China learned many new ideas and concepts, including 'baby-friendly hospitals', 'child-friendly learning environments' and 'happy learning methods' from UN aid (Wang, 2005, p. 3).

While beginning to receive aid from UN agencies, China continued working collaboratively with UN agencies to provide aid to other developing nations. In 1986 alone, China pledged and subsequently undertook 121 technical cooperation projects at a UNIDO conference in New Delhi and at a conference of technical cooperation among developing countries in Beijing (Chen, 1987, p. 3).

Similar to China's growing engagement with UN agencies, the warming of China's foreign relations with the US, Japan and other developed countries facilitated their engagement on development assistance. Along with UN agencies, traditional donors were keen to extend an olive branch to China and commence aid cooperation. Providing aid to China would broaden the agencies, and traditional donors' aid programs and boost their understanding of China. It would also strengthen their bilateral relations with China and facilitate access to the growing economic opportunities of one of the world's fastest-growing economies.

The engagement with Western donors was also rewarding for China, as it desperately needed Western capital, advanced technologies and management skills to fill the gaps. China increased its engagement with traditional donors such as Japan, Australia, West Germany, Canada, Belgium and European Community, and began receiving bilateral aid from these donors after 1979. The total aid amount that was pledged by these six donors to China reached \$278 million (RMB 892 million) from 1979 to 1985 (Shi, 1989, p. 549). Aid from traditional donors

14 This point was repeatedly highlighted by Chinese officials and scholars during the author's interviews (Beijing, August–September, 2015).

covered areas such as agriculture, forestry and technical training. Similar to the aid from UN agencies, this has been aligned with China's domestic development plans.

In addition to extra financial resources, foreign aid substantially contributed to the transfer of technologies and skills to China. For example, China learned from Canada and improved its research skills in the areas of computerisation, electrical operations, testing and environmental protection in power plants (Shi, 1989, p. 556). In the area of patent promotion, China dispatched 150 technicians to study in West Germany in the early 1980s. With the resulting improved institutional capacity, 4,452 patent applications were processed in the first two years after the patent law was promulgated in China in 1984 (Shi, 1989, p. 557).

These tangible benefits reinforced the perception among China's policymakers that aid from traditional donors and UN agencies could be of great assistance to China's development. For example, the UNDP funded a \$1.65 million research project in December 1992 to improve China's planning and macro-economic management capacity. The Chinese government credited this project, as Fang Weizhong, deputy director of the state planning commission stated:

This project provides an opportunity for China to learn more about the experiences of western countries on developing their market economy. It will be of great assistance to China in developing its market economy, accelerating its concept updating on the planned economy and improving its planning methods. (*People's Daily*, 1992, p. 2)

On 30 October 1998, the *People's Daily*, China's official newspaper, published an article praising the EU's aid to China as an example of successful cooperation (Zheng, 1998, p. 6). This is another example that demonstrates the Chinese government's increasingly positive view of Western donors, at least of their skills and technologies. According to the report, the EU provided substantial aid to support China's agriculture, especially to the dairy industry. It contributed to the average rapid growth rate of 13.2 per cent of China's dairy production after 1978. The article also acknowledged the EU's contribution to combating AIDS in China—which was the first AIDS program between China and other countries.

International engagement with UN development agencies and traditional donors triggered new ideas from the Chinese government for development cooperation. Sun Guangxiang, director-general of the DFA of the Ministry of Foreign Trade and Economic Cooperation,¹⁵ stated that from 1978, China began exploring new modalities of foreign aid delivery. Among these was the notion that China and recipient countries would jointly contribute funds for China's companies to enact aid projects in recipient countries and that China could work together with international financial organisations or other donors to deliver aid to recipient countries for projects that Chinese companies implemented (Sun, 1993, p. 10). Guangxiang suggested that China should learn from internationally recognised aid norms, common practices and advanced management skills to align with these effective international standards (Sun, 1993, p. 11).

Wang Xitao, director of the academic committee on development assistance from the China Association for International Economic Cooperation¹⁶ proposed in 1988 that China should learn international common practices and effective management experience in aid from UN agencies (Wang, 1988, p. 5). He suggested that China increase multilateral aid cooperation with the UN and international financial organisations and that it conduct aid projects that were funded by these organisations in Third World countries (Wang, 1988, p. 6).

China, traditional donors and UN agencies began exploring trilateral development cooperation as far back as the 1980s. China built a small brick factory in Gambia with the UN capital development fund and a maternity clinic with the UN family planning association (Bräutigam, 2009, pp. 59–60). In November 1987, China, West Germany and the UNDP co-hosted a symposium on foreign aid and cooperation. Delegates from West Germany argued that China could become a partner of development cooperation and a 'transfer station' when West Germany and other traditional donors provided aid to other developing countries (Lin, 1987, p. 20). They suggested that West Germany and China conduct trilateral cooperation with West Germany contributing funds and China providing technicians and technologies—and these suggestions won

15 The Ministry of Foreign Trade and Economic Cooperation was the predecessor of MOFCOM.

16 This association was established in Beijing in 1983. It is a nation-wide organisation under the leadership of MOFCOM. The main task is to conduct policy research and exchange regarding China's participation in international economic cooperation. It has acted as a bridge between the Chinese government and enterprises, universities, research institutes and overseas organisations.

support from the Chinese delegates (Lin, 1987, p. 20). This was one of the earliest occasions in which China and traditional donor states discussed trilateral cooperation.

Introducing Concessional Loans (1995–1999)

The year 1995 marked another turning point in China's foreign aid, as China hosted a national conference on foreign aid reform and decided to make two significant adjustments to its foreign aid in October. China would first introduce concessional loans as a new form of aid delivery, which could increase China's foreign aid by combining the government aid budget with bank funds. It could also assist Chinese companies in exporting equipment and building materials for aid projects in recipient countries. Second, China would promote foreign aid projects in the form of joint ventures and cooperative projects. This was to complement its aid budget with finance from companies and deepen the cooperation on project management and technological exchanges between China and recipient countries.

To implement the reform measures, the Export–Import Bank of China (China Exim Bank), the China Development Bank and the Agricultural Development Bank of China were established in 1994 as China's three policy banks. Among them, the China Exim Bank is the only one to manage China's concessional loans, though most of its loans are commercial. The Exim Bank's concessional loan portfolio has grown rapidly. After the first concessional loans framework agreement was signed with Zimbabwe in July 1995,¹⁷ China had signed 56 such agreements with 43 countries by 1998 (Wei, 1999, p. 4), among which 14 agreements were signed with 14 different recipient countries in 1997 alone (International Economic Cooperation, 1998, p. 1).

The overhaul of China's foreign aid in the mid-1990s has roots in domestic policy adjustment and international engagement. China was domestically searching to further deepen its economic reform to overcome the economic stagnation of the early 1990s. In November 1993, the third plenary session of the 14th central committee of the CPC

17 For China's concessional loans, the Chinese government will sign a framework agreement with the recipient government. China Exim Bank will then sign an agreement with their counterpart in recipient countries regarding how to use the loans for the aid project.

pledged to develop China's socialist market economy. China's foreign aid was accordingly adjusted to support its economic reform by facilitating Chinese companies to extend overseas.

China was externally influenced by traditional donors to enact foreign aid reform. As MOFCOM Minister Wu Yi stated at the aid reform meeting in 1995, the introduction of concessional loans was to align with common international practice, and China would encourage companies from within itself and recipient countries to play a more significant role in its foreign aid delivery, as well as promote direct interaction and cooperation between these companies (Qi, 1995, p. 5). One reason was because recipient countries were pressured by traditional donors to implement economic liberalisation and privatisation, and they were keen to attract more investment from foreign companies and reduce the debt burden on their governments (Qi, 1995, p. 5). This point was echoed by African delegates at the conference on development in Africa that was held in Tokyo in October 1993 (Wang, 1994, p. 7).

Expanding International Engagement on Development Assistance (2000–2014)

From 2000, China's foreign aid exhibited new features. Its foreign aid has increased substantially and it has experienced an annual increase of 29.4 per cent from 2004 to 2009 (State Council, 2011d, p. 22). The forms of China's foreign aid have also diversified greatly. From 2010 to 2012, concessional loans accounted for more than half of China's total aid. China has increased its aid projects that are related to poverty reduction, human resources training and global issues such as climate change. China dispatched its first teams of youth volunteers and Mandarin-language teachers in 2002 and 2003, respectively (Mao, 2012, p. 90). It established regionally specific initiatives such as the Forum on China–Africa Cooperation (FOCAC) and the China–Arab States cooperation forum.

China's engagement with traditional donors and multilateral development organisations continues, but at a faster pace and with a broader scope. China participated in the high-level aid effectiveness fora in Paris, Accra and Busan. It attended the first and second high-level meetings of the global partnership for effective development cooperation in 2014 and 2016, and the country has been actively involved in the international aid for trade efforts. From 2008, China began providing \$200,000 annually to support the WTO aid for trade initiative and doubled the

volume since 2011 (State Council, 2014, p. 22). Since 2008, China has also actively involved itself in working group discussions on development in the Heiligendamm process, joining G8 members and major emerging economies to examine issues such as aid effectiveness, aid to Africa and trilateral aid cooperation (MOFCOM 2009b).

The growing interest in engagement also arises from traditional donors. Their purposes include gaining a better understanding of China's foreign aid, seeking opportunities for cooperation and influencing Chinese aid practice. A researcher from CAITEC, the think tank involved in developing Chinese aid policies, echoes this point:

The international community did not pay much attention to China's foreign aid before 2006. We [CAITEC] had almost no exchanges with foreign countries at that time. The 2006 Summit of the Forum of China–Africa Cooperation had a tremendous influence. After that, the governments and research institutes of foreign countries began to approach us to learn about China's foreign aid. Later, some Western scholars put up suggestions to strengthen exchanges and cooperation with China on foreign aid. They used many terms including 'engage China'. These Western scholars realised that criticising China [for its aid practice] could not solve the problem. Therefore, they suggested traditional donors conduct trilateral aid cooperation with China to promote mutual understanding. (Interview, Beijing, 4 August 2015)

Attitude towards Learning

China has recently demonstrated a more eager attitude towards aid reform and learning. Shen Danyang—then deputy director of CAITEC and later director-general of MOFCOM's Department of Policy Research—highlighted in 2005 that China must strengthen its research on ODA. He argued that while maintaining its principles of foreign aid, China must emphasise learning effective aid practices from other donors more—and that it is an urgent task for China to establish innovative aid concepts and strategies and conduct aid reforms by learning from other donors (Shen, 2005, p. 32). To Shen, it could even be an option for China to join the Paris Club—a group of OECD DAC member nations who are traditional donors—in the future, and China should be more open to development cooperation with other donors (Shen, 2005, p. 32). By examining China's growing role in the global governance of food security, Professor Katherine Morton argued that China has greatly emphasised the 'learning by doing' process (Morton, 2012).

China's engagement with UN agencies is an example of its cognitive learning and of the mindset changes. Professor Zhang Qingmin, chair of the Department of Diplomacy at Peking University, argued that by participating in multilateral diplomacy—including with the UN—China's attitude towards the international system has changed from high levels of suspicion, through gradual acceptance, to active participation (Zhang, 2006, p. 58). To him, the change of ideas occurs because Chinese leaders have begun regarding international relations as mutually beneficial rather than viewing them merely through a security or a strategic prism (Zhang, 2006, pp. 58–59). More importantly, ideational change is attributable to the adaptation and learning process that are provided by China's participation in the global system (Zhang, 2006, p. 59). Ideational change has been an incremental rather than sudden process (Carstensen, 2011).

At the national conference on work relating to foreign aid in August 2010, Chinese Premier Wen Jiabao emphasised that based on consolidating China's traditional foreign aid methods, China should actively promote the innovation of its foreign aid methods, build a more dynamic, efficient and open foreign aid system, and strengthen engagement and cooperation in an active and prudent spirit with the international community regarding aid issues (People's Daily, 2010, p. 1). Remarks made by MOFCOM Deputy Minister Yi Xiaozhun at the high-level segment development cooperation forum of the UN Economic and Social Council in New York in June 2010 offered insights into the psyche of China's aid decision-makers regarding the role of development cooperation. This insight can also apply to China's desire to learn from traditional donors in trilateral partnership. This rhetoric has also been supported by China's growing engagement with traditional donor states and organisations, such as the OECD, in recent years.

China is a beneficiary of international development cooperation ... China's own development experience shows that international cooperation, effective utilization of resources and international best practices will help developing countries to accelerate the development process ... Here are some examples. In the 1980s, with UNICEF's support, China developed the 'cold chain' system for the Expanded Program of Immunization and met the target of 85 per cent child immunization coverage ahead of schedule; since the 1990s, China has cooperated with UNDP on microcredit schemes in 17 provinces, cities and autonomous regions covering one million poor people ... Clearly, China's efforts in reform and

opening-up were greatly facilitated by international development cooperation, without which its pursuit of poverty alleviation would not have been possible. (Yi, 2010, paras 3–5)

At the press release of China's first white paper on foreign aid in July 2011, Vice Minister Fu Ziyong of MOFCOM stressed that China's foreign aid is open to change, reform and innovation. He claimed this was an important reason for the success of China's foreign aid in the past six decades (State Council, 2011b). In November 2014, MOFCOM issued 'Measures for the Administration of Foreign Aid', the first comprehensive regulation on China's foreign aid management. This document states that China will create a medium- to long-term aid plan, establish the reserve of aid projects and generate country-based aid plans (MOFCOM, 2014a). A Chinese aid official explained that 'these new measures originated from China's learning from traditional donors' (Interview, Beijing, 4 August 2015).

At the subsequent media briefing that was hosted by MOFCOM in December 2014, Wang Shengwen, director-general of MOFCOM's DFA, stressed that China is learning from other donor countries to improve its foreign aid delivery and that it is paying more attention to the needs of recipient countries (MOFCOM, 2014b). For example, China is increasing its number of aid projects to improve people's livelihood and human resources training, which supports regional interconnection and communication and strengthens environmental protection (MOFCOM, 2014b). Yu Zirong, deputy director-general of the same department, highlighted that aid evaluation remains a weak link in China's foreign aid management, as China traditionally emphasises project implementation; he also considered Western donors' aid practices useful references for China (MOFCOM, 2014b). This could be one major area for reform in the near future.¹⁸

There is evidence to suggest that mutual learning has been an important factor in China's growing engagement with traditional donors. As a Chinese aid official commented:

When we do research on China's foreign aid, we will check how traditional donors deliver their foreign aid and make policy recommendations referring to some foreign aid projects conducted by the Western donors in China. In terms of China's trilateral aid cooperation, we are also learning how other donors such as

18 This point was repeatedly mentioned by Chinese aid officials and scholars during the author's interviews (Beijing, August–September 2015).

Germany, Japan and Brazil are doing their trilateral projects. So, this is a process of mutual influence. Though China's [fundamental] aid policies are hard to change because of China's emphasis on South-South cooperation, we can still learn from each other on many specific aid practices. In areas where we believe the Western countries are doing better, we will absorb their good practices. China has kept on learning some specific aid practices from the West at the micro-level. For instance, we learned from Western countries to combine foreign aid with trade and investment. The aid from Japan and many European countries to China was mixed with their economic activities. (Interview, Beijing, 4 August 2015)

Learning by Doing in Controversial Areas

The learning process has reached into divisive issues in which China is facing criticism. An example concerns the environmental standards in China's overseas projects, which were high on the list of the US's and Japan's objections to the establishment of the China-sponsored AIIB. In February 2013, China promulgated the 'Guidelines for Environmental Protection in Overseas Investment and Cooperation', China's first specialised guideline on environmental protection for overseas projects. Bie Tao, deputy director-general from China's Ministry of Environmental Protection, explained that China encourages its companies to research and learn the principles, standards and common practices of environmental protection from international organisations and multilateral financial institutions such as the UN and OECD agencies (MOFCOM, 2013c).

Debt relief is another example. In 2000, China began to write off debts for heavily indebted and least developed countries, which was the first time that China had forgiven debts based on initiatives from international development organisations and that it had used a country list that was drafted by Western organisations (Wang, 2009, p. 42). Chinese leaders made similar efforts at high-profile international events, including debt relief measures that were announced by Xi Jinping at the 2015 UN development summit.

The Chinese government is also softening its position on aid coordination—another sign of its gradual integration with the international community due to learning and its desire for image building. Not being a member of the OECD DAC, China refused to adopt the Paris Declaration on aid effectiveness and some regional aid effectiveness agreements, including the Cairns Compact in the Pacific. However, it became a signatory to

other agreements on aid effectiveness that were initiated by developing nations. China signed the Vientiane Declaration on aid effectiveness in 2006 and the Kavieng Declaration on aid effectiveness in 2008, which are local versions of the Paris Declaration in Laos and PNG. China and seven traditional donors signed the Kavieng Declaration that pledged to:

Conduct more and make greater use of joint missions and analytical work ... rationalise their systems and procedures by implementing common arrangements for planning, design, implementation, monitoring and evaluation ... make full use of respective comparative advantage at sector level by aligning support and deciding, where appropriate, which development partner will lead the co-ordination of programs, activities and tasks ... enhance the predictability of future aid through joint decision making processes with the GoPNG. (PNG Department of National Planning and Monitoring, 2008, pp. 5–6)

This demonstrates that China is revealing more readiness to engage and coordinate with traditional donors on aid delivery in selected countries such as PNG.

Learning from the OECD

The OECD has become another source of learning of aid knowledge and skills. China has increased its efforts to engage with the OECD in recent years. The China–DAC study group was established in 2009, with the aim of promoting knowledge sharing and experience exchanges between China and the OECD, as well as the aim of introducing China's development experience to Africa (OECD, 2011). China participated in DAC high-level meetings, the OECD global forum on development and the OECD–WTO's work on tracking aid for trade.

China is increasingly involved in the substantive work of the OECD's specialised committees. In November 2013, the OECD and MOFCOM co-hosted a symposium on cooperation that was attended by 26 Chinese ministries, 18 OECD member states and the EU (OECD, 2014, p. 4). China stated that it valued the mutual learning process between China and the OECD in facilitating China's development. As Wang Shouwen, assistant minister of MOFCOM, stated, 'It's [the OECD's] research results, along with the experiences of its member countries, [that] provide valuable references for China in deepening reform, further opening up and participating in global economic governance' (OECD, 2014, p. 4).

Growing Trilateral Aid Cooperation

In recognition of China's growing economic strength, traditional donors began reducing their aid to China. Japan was comfortably the largest donor to China. From 1979 to 2004, cumulative aid from Japan to China exceeded 3.3 trillion Yen (RMB 164.9 billion in contract value), which accounted for more than 60 per cent of the total external aid to China (Pei, 2004, p. 1). From 2001 to 2004, the annual reduction of Japan's aid to China exceeded 20 per cent (Pei, 2004, p. 1). The World Food Programme had ceased its food assistance to China by the end of 2005. Traditional donors have also shifted their aid to China from providing hardware aid to soft areas, such as training for Chinese staff, providing consultancy, targeting sectors such as poverty reduction, environmental conservation, public health and governance.

Although reducing their aid to China, traditional donors and multilateral development organisations have growing interests in inviting China to jointly provide aid to other developing countries. To them, China is no longer in need of external aid, as it has achieved remarkable economic development over the past three decades, and it has become a major emerging donor with a different modality. It thus becomes imperative for traditional donors and multilateral development organisations to promote coordination and cooperation with China through trilateral cooperation. Traditional donors expect that increased coordination and cooperation will facilitate their understanding of China's foreign aid, as well as leverage and influence China's foreign aid delivery (Interviews, Beijing, 29 July, 4 and 26 August 2015). As an OECD report highlighted:

How to engage with China in a manner that contributes to the international aid effectiveness agenda and the achievement of the Millennium Development Goals has been an issue of great concern for DAC donors. (OECD, 2012b, p. 4)

Strengthening cooperation with traditional donors and multilateral development organisations is also attractive to China. As China has substantially expanded its foreign aid in recent years, the desire to learn useful aid policies and practices from traditional donors has grown even stronger. A former senior Chinese aid official explained that 'China wants to learn from traditional donors in areas including aid procedures, feasibility study, evaluation and monitoring. China is weak in these aspects' (Interview, Beijing, 1 September 2015). Consequently, China, traditional

donors and multilateral development organisations have improved their engagement in exploring trilateral cooperation as an innovative method of partnership.

In 2005, the China Institutes of Contemporary International Relations (CICIR) and the US–China Relations Council co-hosted the China–US aid workshop in Beijing—the first of its kind in China. Officials and experts from the two countries, as well as other traditional donors, proposed ideas for aid cooperation (Glosny, 2006). In July 2013, MOFCOM's Vice Minister Li Jinzao met with DAC Chair Erik Solheim and responded positively to the OECD's call for development cooperation in Africa. Li suggested that the two sides choose an African country who had an interest in trilateral aid cooperation to initiate such a plan and that they gradually expand it later on (MOFCOM, 2013b).

The diversified engagement has boosted China's understanding of traditional aid and has led to the change of ideas regarding external aid and cooperation in the mindset of Chinese policymakers. To these policymakers, engagement and cooperation with donors and organisations in trilateral cooperation is attractive to China. Therefore, the Chinese government has agreed to pilot trilateral aid cooperation.

Domestic Institutions

The first two sections of this chapter have explained China's calculations of interests and its growing international engagement in development cooperation. However, this kind of external interaction is filtered through a complicated domestic process that involves a cluster of China's aid agencies before it can wield influence on China's foreign aid. This section will explore four aspects of this domestic process: China's aid management structure; the decision-making procedure of China's foreign aid; two channels to influence Chinese officials' perceptions of aid; and the diversified positions of China's aid agencies on trilateral cooperation.

China's Aid Management Structure

A clear understanding of the identities and interests of China's main aid agencies will be the basis for exploring these agencies' attitudes towards trilateral aid cooperation. It should be noted that the following discussions in this chapter will examine China's aid management system prior to the

establishment of the China International Development Cooperation Agency (CIDCA) in April 2018, which will be discussed in Chapter 7 as a new development. Three reasons suffice. First, China’s pilot trilateral aid projects were conducted under the old aid system. Second, the main players in the old aid system will continue playing highly significant roles in Chinese aid management, even though CIDCA was created. Third, as CIDCA is new, its influence on Chinese aid management is yet to be observed.

China did not have a single aid agency until April 2018. Instead, it established an inter-agency liaison mechanism in October 2008 that was upgraded to a coordination mechanism in 2011. Members meet regularly to discuss aid-related issues and to coordinate aid policies. This coordination mechanism on foreign aid consists of over 40 agencies that are chaired by the MOFCOM (chair), MFA (deputy chair) and MoF (deputy chair) as the three core players. The three ministries and the China Exim Bank play the most important roles in China’s foreign aid. China’s state-owned enterprises (SOEs) enjoy much influence in this process as project contractors. In addition to the coordination mechanism, China has held nine national conferences on foreign aid work that were attended by Chinese premiers or vice premiers.

I use the variables of ‘personnel’ and ‘interest-based alliance propensity’ to illustrate approximately how different aid agencies wield influence on China’s foreign aid (see Table 5). ‘Personnel’ refers to the power of the aid agencies in China’s domestic politics and their human resource capacity to manage aid. ‘Interest’ refers to material benefits. The ‘interest-based alliance propensity’ refers to the tendency of aid agencies to form alliances that are based on their respective material interests.

Table 5. Interest-based alliance propensity of Chinese aid agencies

Interest-based alliance propensity Personnel	Weak	Strong
Weak	MoF Other ministries	SOEs China Exim Bank
Strong	MFA	MOFCOM

Source. Compiled by the author from own analysis.

MOFCOM

MOFCOM is tasked with managing China's foreign aid and thus plays the most important role. Other line ministries are required to support MOFCOM in delivering aid. MOFCOM's DFA is the organisation responsible for managing Chinese foreign aid, including drafting China's foreign aid policies, aid regulations¹⁹ and aid plans (including the annual plan) and approving and managing aid projects (Zhang & Smith, 2017, p. 2332). The department has a team of around 70 staff, making it the largest concentration of aid technocrats relative to other aid agencies in China.²⁰

In combining the number of staff from this department and the three executing aid agencies that are affiliated to MOFCOM—including from the Executive Bureau of International Economic Cooperation (96 staff), the China International Centre for Economic and Technical Exchanges (140 staff) and the Academy for International Business Officials (over 200 staff)—the total number of MOFCOM aid officials is around 500.²¹ However, excluding support staff, the number of foreign aid officials in China is between 200 and 300.²² This is in stark contrast to the 1,652 employees of the Australian aid program in the financial year of 2012–2013 and the 3,797 employees of the US aid program in 2015 (excluding an even larger number of their local employees in recipient countries) (Australian Public Service Commission, 2013, p. 253; USAID, 2015a, p. 4).

Additionally, there is one division within MOFCOM's DITEA that traditionally focuses on inbound grant aid that is provided to China by traditional donors and UN agencies. With experience that has been gleaned from over more than three decades of dealing with traditional donors and UN agencies, this department is also involved in China's foreign aid.

19 China does not have a comprehensive law outlining its foreign aid regulations. Its foreign aid is mainly governed by a handful of regulations that are drafted by MOFCOM. Important regulations include *Measures for the Administration of Foreign Aid (trial)* in 2014; *Measures for the Administration of Complete Foreign Aid Projects (trial)* in 2008; *Measures for Accreditation of Qualifications of the Enterprises Undertaking Foreign Aid Projects* in 2015; and eight regulations covering areas such as the inspection, construction management and project design of complete projects.

20 This figure originates from the author's interviews. It also matches the figure that Zhou Hong and Xiong Hou provide. According to them, in 1998, MOFCOM's Department of Foreign Aid had 64 staff (Zhou & Xiong, 2013, p. 29).

21 Figures from the websites of these agencies (MOFCOM, 2011b, 2011c, 2011d).

22 Based on author's interviews (Beijing, August 2015). It also matches the finding of Song Wei from CAITEC. See Song (2015).

MOFCOM is also the point of contact (*guikou danwei*) designated by the Chinese government to liaise with traditional donors and UN development agencies on their aid to China.²³ In terms of providing bilateral aid in grants to China or of conducting trilateral aid cooperation with China in a Third World country, traditional donors and UN agencies must go through MOFCOM regardless of their inclination to do so. Once approved by MOFCOM, they can continue with contacting other line ministries in China.

In terms of MOFCOM's domestic influence, it plays a prominent role in Chinese politics. As economic development has been regarded as the top priority of the Chinese government, MOFCOM naturally enjoys high political status, and many MOFCOM ministers have been promoted to high positions as state leaders. This can have a decisive influence when controversial issues surface, including whether MOFCOM or the MFA should assume control of China's foreign aid. Table 6 presents a brief comparison of the political promotions of former ministers from MOFCOM, the MFA and the MoF that testifies to the status of these ministries in China's political system.²⁴

Table 6. Status of three ministries in China's political system

	Number of ministers	Number of ministers becoming state leaders
MOFCOM	8 (1982–2013)	4 (Deputy Chair of National People's Congress: 1; Vice Premier: 2; member of Chinese Communist Party Politburo: 1)
MFA	5 (1982–2013)	4 (Vice Premier: 2; State Councillor: 2)
MoF	5 (1980–2013)	1 (Deputy Chair of National People's Congress)

Source. Compiled by the author from online data.

23 The responsible agency for the World Bank and Asian Development Bank is China's MoF. Similar matching relations are China's Ministry of Agriculture with the Food and Agriculture Organization, and the World Food Programme and the People's Bank of China with the International Monetary Fund.

24 There are several vice premiers in the Chinese government. The positions held by former MOFCOM ministers in the graph are ranked more highly than those held by former MFA ministers. For example, former MOFCOM Minister Li Lanqing and his successor, Wu Yi, were the highest-ranked vice premiers in the State Council. Li was also a member of the standing committee of the politburo, the core decision-making organ in China.

Economic and Commercial Counsellor's Offices

Unlike China's other aid agencies, MOFCOM enjoys the privilege of sending its staff to the economic and commercial counsellor's offices in almost all of China's diplomatic missions overseas, including embassies and consulates. Due to the shortage of staff in MOFCOM, it is common for MOFCOM to select commercial officials from the provincial and city level to staff some economic and commercial counsellor's office—particularly smaller and more remote postings, such as those in the South Pacific.

One duty of these offices is to take care of aid projects on behalf of MOFCOM in China's diplomatic missions, though aid is not a priority in the department's daily work compared to trade and investment. These offices have the advantage of obtaining firsthand information on Chinese aid projects in the field and of reporting to MOFCOM promptly, which offers MOFCOM the advantage of access to information that it may or may not choose to share with the MFA or the MoF. Economic and commercial counsellor's offices will represent MOFCOM and the Chinese government in liaising with recipient governments, receiving aid proposals from them and reporting back to MOFCOM. They are involved in the negotiations between China and recipient governments and they supervise the implementation of Chinese aid projects.

However, due to the lack of aid expertise, officials from the economic and commercial counsellor's offices are mainly involved from the political perspective as representatives of MOFCOM, but not from the technical perspective (Zhang & Smith, 2017, p. 2333). Technical experts appointed by Chinese contractors oversee the technical issues for each aid project (Zhang & Smith, 2017, p. 2333). Although the economic and commercial counsellor's offices can offer advice on aid projects, they are constrained by MOFCOM's policy instructions. They are executing agents rather than decision-makers in essence.

Executing Aid Agencies

MOFCOM has three affiliations as implementation arms of Chinese aid projects. The Executive Bureau of International Economic Cooperation was created in 2003. Once MOFCOM's DFA has completed the internal procedures to approve the proposed aid project (both complete projects and technical cooperation projects), it is then passed to this bureau to

manage the implementation—including the designing of the project, signing of the implementation agreement/contract with the recipient country, performing of the pre-qualification of Chinese bidding contractors,²⁵ overseeing of the bidding process, signing of the internal contract with Chinese companies, monitoring of the project management, performing of the project acceptance after completion and passing of it to the recipient country (MOFCOM, 2016).²⁶

The China International Center for Economic and Technical Exchanges (CICETE) and the Academy for International Business Officials (AIBO)—which were established in 1983 and 1980 respectively—as two more executing agencies were tasked by MOFCOM in 2008 to manage foreign aid. CICETE was tasked with managing China's in-kind donations, including the bidding arrangements and project management after MOFCOM's DFA had conducted internal checks on a given project. Similarly, AIBO implements China's aid training, including organising, managing and evaluating the training after MOFCOM's DFA has completed internal procedures to approve the projects.

MOFCOM's Relations with Chinese Companies

As MOFCOM is the statutory body on economic development and the caretaker of Chinese companies overseas, the consideration of economic interests plays a prominent role when MOFCOM makes decisions on foreign aid. China adopted the 'go global strategy' (*zouchuqu zhanlue*) in October 2000 and encouraged its companies to explore economic and trade opportunities in overseas markets (China Council for the Promotion of International Trade, 2007). Guided by the principles of mutual benefit in providing foreign aid and this 'go global strategy', MOFCOM has been actively assisting Chinese companies to travel overseas and deliver foreign aid, to explore overseas markets for Chinese products and to satisfy the resource needs of China's fast-growing economy. In contrast to the MFA or MoF, it is easier for MOFCOM to form alliances with Chinese companies in circumstances in which a conflict between economics, diplomacy and global image arises (Zhang & Smith, 2017, p. 2334).

25 Bidding can take the form of open or negotiated bids. Negotiated bidding is used in circumstances such as when the aid project is urgent, when there are fewer than three qualified bidding companies or when the potential contractors have to be appointed due to patent or other reasons.

26 Please also note that the Executive Bureau of International Economic Cooperation has recently been renamed as the Agency for International Economic Cooperation in English.

The MFA

The MFA is the statutory body of China's foreign relations with other countries. Its overarching task is to construct positive external relations and to create a favourable environment for China's domestic development and stability. Foreign aid has been used as a diplomatic tool for such purposes and has served as an integral part of China's diplomacy.

Central to understanding the MFA's role is the term *zhengzhi* (politics) in China's foreign policy, including economic diplomacy and foreign aid policy. Chinese leadership and official documents consistently highlight three terms: *jiang zhengzhi* (talk politics), *zhengjing jiehe* (combine politics and economics) and *yijing cuzheng* (use economics to promote politics) (Zhang & Smith, 2017). For example, China's then Premier Wen Jiabao said at the national conference relating to central economic and diplomatic work towards developing countries in 2004 that 'China ... needs to be good at combining economic and political work, and using economic work to promote the political relations between China and other countries' (Gong, 2004, p. 2).

China's diplomacy always emphasises the political relations between China and other countries. From the MFA's perspective, the importance of political relations prevails over the importance of short-term economic gains because, in China's philosophy, it is not possible to develop beneficial economic relations without the establishment of excellent political relations. This explains why when economic and political interests are in conflict, the Chinese government chooses to safeguard long-term political interests at the expense of short-term economic gain in some circumstances. To the Chinese government, if the loss of an economic benefit leads to the improvement of political interests, this will create more economic opportunities for China in the future: a loss in the short term signifies a profit in the long run.

This explains why the Chinese government has kept focusing on the importance of 'talking politics', as well as why it has instructed Chinese aid agencies to implement China's foreign aid projects 'from the height of talking about politics', 'combining the strengths of political relations and economic benefits' and 'using economic benefits to promote better political relations' between China and recipient countries (Zhang & Smith, 2017). An example of the MFA's role in China's foreign aid is that the MFA minister co-chairs the Chinese follow-up committee of

FOCAC with his or her counterpart in MOFCOM. The secretariat of the committee is located in the MFA's Department of African Affairs, with the director-general of this department acting as the secretary-general (MFA, 2013).

As a generalisation, the MFA strongly supports providing foreign aid because this will help enhance China's diplomatic relations with other countries and ease life for the MFA. It values China's diplomatic and strategic interests above short-term economic interests. Bilateral relations between China and recipient countries play an important role in China's foreign aid provision. It is the precondition that the recipient country must enjoy beneficial relations with China and fully support the 'one China' policy before China provides a single *fen* of aid to this country, though exceptions exist in circumstances including humanitarian disasters. Foreign aid in turn will be used by China to improve relations with recipient countries.

Ambassadors and the Economic and Commercial Counsellor's Office

Compared with the economic and commercial counsellor's office, Chinese ambassadors exert influences in China's foreign aid in different ways. In regions such as the Pacific (where the Taiwan issue is still in play) in which small island nations occasionally sway their diplomatic recognition between China and Taiwan, each Chinese ambassador controls a small amount of discretionary funds (around \$50,000) that is used for some small aid projects (Smith et al., 2014, p. 10). Moreover, in small nations, the economic and commercial counsellor's office is part of the embassy.²⁷ Foreign aid reports that the economic and commercial counsellor's office prepared are subject to the approval of the ambassador before they are sent to MOFCOM and the MFA through the embassy (Zhang & Smith, 2017).

In terms of proposing aid projects, there could be divisions between the ambassador and the economic and commercial counsellor's office. The ambassador, in most cases a career diplomat from the MFA, represents the MFA's interests and emphasises China's diplomatic interests in determining aid spending more. In contrast, the economic

27 In countries such as PNG, the economic and commercial counsellor's office is separate from the embassy.

and commercial counsellor's office is a branch of MOFCOM and it is inclined to offer more considerations to China's economic interests when the country creates aid proposals. For the sake of diplomacy, the ambassador sometimes suggests new aid projects directly to MOFCOM. However, the amount of influence that the ambassador wields over the aid projects that were provided to his or her country is debatable, as the final say is delivered by MOFCOM. It is fair to state that the economic and commercial counsellor's office has a more direct influence than the ambassador on aid in the country.

Why Does MOFCOM Oversee China's Foreign Aid?

Some background information will help frame the question. As mentioned earlier, China's foreign aid began as early as the 1950s, when China provided aid—mostly in the form of in-kind donations that were supplemented by occasional money transfers—to other socialist and developing countries, such as North Korea and Vietnam. China's Ministry of Foreign Trade, established in August 1952 (the predecessor of MOFCOM),²⁸ was tasked with managing China's foreign aid by instructing its subordinate export and import companies to purchase the materials and then provide them to the recipient countries. Since then, MOFCOM and its predecessors have remained the custodians of China's foreign aid.

Some Chinese officials and aid scholars have long questioned MOFCOM's leadership of Chinese aid program, suggesting that the MFA should assume control, as foreign aid is closely linked to China's foreign policy and the Taiwan issue is central to the Chinese foreign aid program (Interviews, Beijing, 30 August, 1 September 2015). To these officials, MOFCOM's focus on seeking economic gains and promoting the interests of Chinese companies could negatively affect China's management of foreign aid, whose purpose is to support China's strategic and diplomatic interests.

28 China's ministry in charge of foreign aid has experienced several restructures. In 1949, China's Ministry of Trade was established and was soon renamed the Ministry of Foreign Trade in 1952. In 1961, a new agency was created to manage aid: the General Bureau for Economic Relations with Foreign Countries. It was upgraded to the Commission for Economic Relations with Foreign Countries in 1964, and then upgraded again in 1970 to become the Ministry of Foreign Economic Liaison. In 1982, the Ministry of Foreign Trade, the Ministry of Foreign Economic Liaison, the State Import Export Regulation Commission and the State Foreign Investment Regulation Commission merged into the Ministry of Foreign Economic Relations and Trade, which was renamed in 1993 to the Ministry of Foreign Trade and Economic Cooperation. Since 2003, it finally became the Ministry of Commerce.

For example, Yan Xuetong from Tsinghua University has called on the Chinese government to consider whether Chinese foreign policy should continue to be economically centred, questioning:

Should China's rise serve the goal of increasing its economic benefits or improving its global image? My personal answer is clear. The latter goal is more urgent than the former. (Yan, 2006, p. 14)

The State Council had occasionally been called on to deliberate this question, but it decided in favour of MOFCOM until the establishment of China's new aid agency.

The MoF

The MoF is responsible for drafting and managing China's budget. Being the keeper of purse strings, the MoF will review and approve the aid plan that is MOFCOM drafts and integrate it to China's annual national budget. After approval, the MoF will allocate aid funding to be disbursed by MOFCOM and other line ministries. This is also a process of budget monitoring. The gap between the commercial and concessional interest rate of the concessional loans that the China Exim Bank provide is included in the annual aid budget overseen by the MoF.

The MoF also manages China's multilateral aid, including donations to the World Bank and UN agencies. In terms of bureaucratic interests, the MoF's role in China's foreign aid is relatively neutral compared to MOFCOM and the MFA. In addition, the MoF is concerned with the bilateral loans from traditional donors and loans from multilateral agencies to China.²⁹ The MoF's Department of International Economic and Financial Cooperation is tasked with managing these loans, including from the World Bank, the ADB, the International Fund for Agricultural Development and the European Investment Bank. Some grants mixed with loans projects in China are also within the MoF's purview. The MoF also manages grant aid from the global environmental facility to China (Ministry of Finance (China), 2016).³⁰

29 MOFCOM previously managed bilateral loans from traditional donors in China.

30 The MoF's Department of International Economic and Financial Cooperation was established in 2014 by merging the original Department of Finance (managing bilateral loans coming in to China) and the Department of International Cooperation (managing loans received from multilateral organisations).

China Exim Bank

The China Exim Bank—its concessional loan department, to be specific—is responsible for China's expanding concessional loan portfolio. At the policy level, it is still subject to the supervision of MOFCOM. As discussed above, it was created in 1994 to manage China's concessional loans, which have increased tremendously in recent years, exceeding the 30 per cent growth rate annually since 2005 (China Exim Bank, 2014, p. 10). The loans have facilitated Chinese companies moving overseas. The China Exim Bank consequently enjoys an important status in the politics of Chinese aid.

Another reason for the importance of the China Exim Bank is that, in addition to providing concessional loans, it also provides preferential buyer's credit to support economic and trade cooperation between China and other developing countries. This kind of credit is not counted as China's foreign aid.

Concessional loans target large infrastructure projects and involve large amounts of aid money. They are implemented by Chinese companies, typically powerful SOEs. With support from the China Exim Bank, several of China's companies—such as the China Road and Bridge Corporation, China Harbour Engineering Company, Sinohydro Corporation, Shanghai Construction Group and Gezhouba Group—have rapidly expanded their overseas operations (China Exim Bank, 2014, p. 11). The China Exim Bank has supported nearly 1,700 'going out' projects that were conducted by Chinese companies. The contract value of these projects accounted for more than 20 per cent of China's foreign direct investment and its overseas project contract value combined (Jin, 2014). Therefore, the tendency to form alliances between the China Exim Bank and China's SOEs is high. Because of their shared interest in safeguarding the economic interests of Chinese companies, the China Exim Bank and MOFCOM have also a high propensity for interest alliance. Lucy Corkin argued that although the MFA regards China's concessional loans in Africa as a diplomatic tool, MOFCOM 'sees them as principally a market-entry tool for Chinese companies' goods and services' (Corkin, 2011, p. 73).

Other Line Ministries

China's other line ministries—such as the Ministry of Agriculture, National Health Commission, Ministry of Education, Ministry of Science and Technology and Ministry of Civil Affairs—are also involved in providing foreign aid. They compete for a share of the growing foreign aid budget. Their mandate is to provide foreign aid within their specialised areas. For example, the Ministry of Agriculture provides agricultural support overseas, sending agricultural technicians to almost every developing country that recognises the PRC. These teams are often in the field in unstable regions, where aid contractors from developed nations would be reluctant to work (Zhang & Smith, 2017). Following a similar modality, the Ministry of Health is responsible for China's foreign aid in the health sector, including the donation of medical equipment and medicine and the dispatching of medical teams overseas. Since China sent its first medical team overseas to Algeria in April 1963, 21,000 Chinese medical staff had been sent to 69 developing countries by 2010 (MOFCOM, 2010), and the number is growing in recent years. Compared with MOFCOM, the MFA and the MoF, these line ministries concentrate more on technical issues in their areas rather than on political and economic issues.

Not all aid projects in specialised fields will be conducted by line agencies. As an example, the Ministry of Agriculture will not enact all agricultural aid projects. This is because nearly all of China's aid projects are sent to MOFCOM, who have the option to conduct any given project by themselves (Interviews with Chinese aid officials and scholars, Beijing, August–September 2015). In the process of implementation, MOFCOM may approach other line ministries for technical support in specialised areas. If MOFCOM does not want to take on the project, it may ask other line ministries instead, and the project budget will be allocated to these line ministries. However, the State Council has delegated some line ministries the responsibility of dealing directly with some donor organisations. These aid projects do not need to go through MOFCOM or seek its approval. China's Ministry of Agriculture deals directly with the FAO and the World Food Programme. The Ministry of Agriculture can directly approve aid from these multilateral agencies for projects inside China or with them in Third World countries. In addition, many line ministries have an annual budget for promoting international cooperation, which are typically about half to two-thirds used for aid projects (Zhang & Smith, 2017). These projects do not need to be approved by MOFCOM.

China's SOEs

China's large SOEs are powerful players in domestic politics. The state controls the majority of large economic entities in China to ensure that it remains a socialist country with a high level of state ownership. SOEs produce a large percentage of China's annual GDP, create employment for Chinese citizens and generate revenue for the government. Barry Naughton (2011, p. 315) argued that China's SOEs accounted for 26.7 per cent of industrial output and for 20.4 per cent of industrial employment in 2009. SOEs still accounted for over half of China's industrial output in six sectors, such as electrical and heat power, mining and the washing of coal in 2011 (Lardy, 2014, pp. 76–77).

Most Chinese SOEs have their origins in China's ministries, which explains why they enjoy close relations. The China Road and Bridge Corporation was formed on the basis of the foreign aid office of China's Ministry of Transport in 1979, as required by the reform efforts to separate the government from companies. Similarly, the predecessor of the China railway engineering corporation is the General Bureau of Capital Construction of the Ministry of Railways, which was established in 1950. The China nuclear engineering and construction corporation—a military industrial corporation—was established in 1999 based on the former China national nuclear corporation. Several international economic and technical cooperation companies were also established in China's provinces to conduct foreign aid projects. They enjoy close relations with their provincial governments. In China's political system, the directors of large SOEs are interchangeable with high-ranking political positions such as ministers and provincial governors.³¹ This illustrates how important they are in China's domestic politics. Chinese SOEs are also often chosen to implement Chinese aid projects, including concessional loan projects, because they are state companies and have resources, including technologies, skills and qualified staff.

31 Secretary of the Chinese Communist Party's political and legal affairs commission, Guo Shengkun, Minister of Industry and Information Technology Miao Wei, Director of State-owned Assets Supervision and Administration Commission Xiao Yaqing, former Governor of Shangdong province Guo Shuqing, Minister of Transport Li Xiaopeng, former Governor of Hebei province Zhang Qingwei are all former heads of Chinese SOEs.

The strategy developed for China's agricultural aid in Africa illustrates how SOEs are favoured in China's aid delivery. China's agricultural demonstration centres have been widely piloted in Africa since 2006. These centres will operate for 15 years. For the first three years, China's SOEs are contracted to construct the centre with grants that are provided by the Chinese government; for the second 12-year phase, a Chinese SOE will take over the centre and run it on a commercial basis (Gabas & Tang, 2014; Nzikou-Massala, 2014, p. 19).

Being the implementer of China's economic diplomacy and the 'go global strategy', China's SOEs receive much support from the Chinese leadership. Xu Weizhong, a Chinese aid expert from CICIR, explained:

When Chinese leaders visit Africa, they often hold meetings with China's SOEs working in these countries and listen to their views on economic issues. Chinese SOEs are often consulted by MFA and MOFCOM for advice before the conferences of the Forum on China-Africa Cooperation are held. (Interview, Beijing, 24 August 2015)

Another way that SOEs wield influence on China's foreign aid is proposing aid projects to the economic and commercial counsellor's office at China's diplomatic missions, and even to MOFCOM directly. As these SOEs have previously enacted aid projects in the recipient countries and become established, they have close relations with both the Chinese government (including MOFCOM, the MFA and the economic and commercial counsellor's office) and the governments of recipient countries. They are familiar with China's foreign aid policies and the bilateral relations between China and recipient countries.

Due to their close relations with aid officials and some politicians in recipient countries, China's SOEs also have easy access to information related to recipient countries' demands for aid projects from China. The SOEs are keen to lobby China and the recipient countries for new aid projects because once both countries agree on a given project, the SOE that initiated the project will typically win the contract to enact it. This explains why, in some circumstances, Chinese SOEs and recipient governments form an informal alliance, in which China's SOEs persuade recipient governments to raise new aid projects with Beijing and promise to help behind the scenes to secure financing (Zhang & Smith, 2017). In return, recipient governments will propose to Beijing that they

want these SOEs to implement the projects (Zhang & Smith, 2017). It becomes a win–win situation for China's SOEs and their partners in recipient countries. Some Chinese SOEs subcontract the project to other contractors from China or another country, while taking a commission.³²

In comparison with MOFCOM, the MFA and the MoF, China's companies seemingly care less about China's political interests and focus more on their commercial interest. The principal–agent dilemma is observed in many cases. While the Chinese government hopes to create high-quality aid projects that will serve China's long-term political and economic interests, China's companies are driven by economic gain. They are keen to immediately complete the aid projects and move on—sometimes at the expense of project quality, environmental obligations, social responsibilities and the relations between the Chinese management team and local workforce (Zhang & Smith, 2017). In many instances, short-term economic interest has the upper hand over China's long-term geopolitical interests.

Another reason for some companies' ignorance of the Chinese government's requirements is that these companies consider aid projects to be merely a first step towards establishing themselves in the market of recipient countries. Over time, they move on to commercial projects that are usually more profitable than aid projects. However, things are more complicated than that. These companies realise that if they have a poor record and reputation for their aid projects, it becomes difficult for them to win commercial contracts, especially in smaller countries where news spreads quickly. Therefore, companies that manage to become established in the recipient countries begin caring more about establishing a good name for themselves, though they may still spare little thought to China's national interest.

Think Tanks

The role of think tanks in China's foreign aid is limited. In the Chinese government system, the shifting of personnel between government and academic posts is rare. This is different from Western countries such as the US, where it is relatively common for government officials and academic

32 One example is how the China civil engineering and construction corporation subcontracted the Palace renovation and wharf projects in Tonga to Fletcher Royco (Tongan Ministry of Information and Communications, 2010).

researchers to switch roles. However, it should be noted that many of China's ministries, particularly the more influential ones, have affiliated research academies that provide information to these ministries and that conduct research on selected topics for their paymasters (Zhang & Smith, 2017). Some think tanks have more influence than the others.

CAITEC, which has over 140 staff and conducts research work on behalf of MOFCOM, is one of the most important affiliated think tanks. MOFCOM's DFA has only about 70 staff to manage China's global aid program. Unsurprisingly, the department is overwhelmed by its rapidly growing workload. To compensate, CAITEC has been tasked with numerous research projects on behalf of MOFCOM, such as drafting Chinese white papers on foreign aid and conducting research on trilateral aid cooperation. Some CAITEC officials have been promoted to senior positions within MOFCOM and thus influence Chinese aid management. As a typical example, Shen Danyang—former deputy director of CAITEC (March 2003 – November 2008)—served as the director-general of MOFCOM's Department of Policy Research (April 2014 – July 2018) until he was further promoted to be vice governor of the Hainan province.

The MFA's affiliates, such as the China Foreign Affairs University and the China Institute of International Studies, conduct limited research on Chinese foreign aid because they devote more attention to diplomacy and security-related global issues. The situation at the MoF is similar. Its research institute for fiscal science has conducted sparse research on China's foreign aid.

China's Aid Decision-Making Procedure

Figure 7 summarises China's aid formal decision-making procedure—from project initiation, to international coordination to its implementation.³³

33 This flow chart draws on the following references: MOFCOM (2014a); China Exim Bank (2014); and Zhou (2008).

3. CHINA'S FOREIGN AID AND TRILATERAL COOPERATION

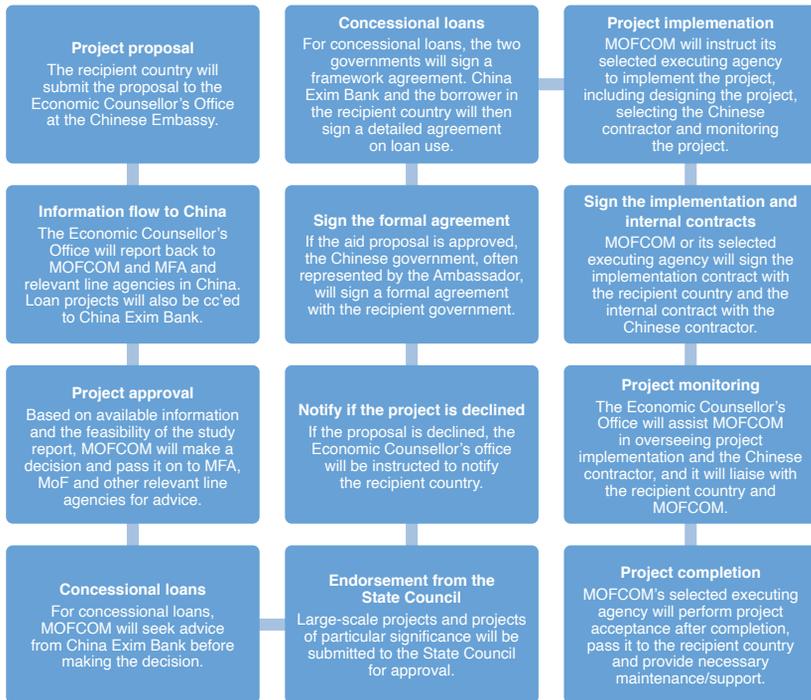


Figure 7. China's aid decision-making procedure

Source. Compiled by the author from own analysis.

Two Ways of Promoting New Information Flow

Taking the case of MOFCOM, this section will illustrate two ways that new ideas about foreign aid are promoted, even though other ways may also exist. Most university graduates who are recruited into MOFCOM's DFA do not major in foreign aid and development, as these courses themselves are rare. Instead they originate from diverse fields, such as foreign languages (especially English), business and law. Their knowledge of foreign aid is derived from daily practical work in MOFCOM and their senior colleagues. One major source of new ideas on foreign aid is the exchange with traditional donors and multilateral development organisations.

Take the exchange between China and the OECD as an example. China's officials have benefited from the OECD's training programs, which introduce new ideas. Xue Hong, then a CAITEC senior aid official, visited OECD DAC in 1992 for three months—the first

Chinese aid official to be posted there; he was exposed to the DAC's aid policies and practices (Interview, Beijing, 1 September 2015). Later, Mao Xiaojing, division director of international cooperation from CAITEC, participated in the same exchange program (Interview, Beijing, 1 September 2015). At the end of 2012, the OECD and the German federal enterprise for international cooperation co-funded the program of temporary assignments for Chinese officials in the OECD, which offered opportunities for mid-level Chinese officials to work at OECD headquarters in their specialised areas for a few months (OECD, 2014, p. 7). This boosted the level of China's learning from the OECD. From 2012 to 2013, 11 mid-level Chinese officials from ministries including the National Development and Reform Commission, Development Research Centre of the State Council, MOFCOM, MoF and Ministry of Science and Technology participated in this program which focuses on China's 12th Five-Year Plan covering areas including aid effectiveness (OECD, 2014, p. 7). This program contributed not only to closer relations between China and the OECD, but also to the flow of new ideas among Chinese officials and policy reforms.

In July 2015, China's Premier Li Keqiang became the first Chinese leader to visit the OECD headquarters in Paris. During the visit, China agreed to join the OECD development centre—a platform to discover solutions for stimulating growth in developing countries. OECD Secretary-General Angel Gurría credited this agreement as 'a historical and transformative opportunity for mutually beneficial knowledge-sharing [between China, OECD, and other developing countries]' (OECD, 2015b, para. 4). China has also agreed to accept the OECD policy coherence for sustainable development—a policy tool for integrating the various dimensions of sustainable development into policymaking and for ensuring that they are mutually supportive (OECD, 2015a, p. 24). This can potentially improve the development coordination between China and OECD members in other developing countries.

The movement of aid officials within the Chinese government system has further spread new ideas about aid. Officials sometimes have the opportunity of moving to positions in other departments. This movement carries with it knowledge from the old department to the new workplace. It is common for aid officials to shift between MOFCOM's DFA and their DITEA. As they oversee China's outgoing foreign aid and development assistance that comes into China respectively, this movement of aid officials could promote knowledge sharing of the practices that are

associated with these two types of aid flow. The promotion of aid officials to higher positions in new departments facilitates information flow. As mentioned earlier, Shen Danyang, former deputy director of CAITEC, was promoted to the position of director-general of the Department of Policy Research and MOFCOM's chief spokesperson. Clearly, new aid ideas from CAITEC can easily obtain his attention and, with his support, it is more likely that these new ideas will become aid policies.

Reactions of China's Main Aid Agencies to Trilateral Aid Cooperation

As China's trilateral aid cooperation is yet quite new, the attitudes of China's aid agencies towards trilateral aid cooperation are not entirely clear at this stage. Based on my interviews and inferences from the interests of these aid agencies, the following conclusions can be drawn (see Table 7).

Table 7. Attitudes of China's aid agencies towards trilateral cooperation

Aid agencies	MFA MoF Other line ministries	MOFCOM China Exim Bank	SOEs
Attitude	Positive	Cautiously positive	Ambiguous

Source. Compiled by the author from own analysis.

The MFA

The MFA is the most active Chinese agency in promoting trilateral aid cooperation. As the MFA's primary concern is China's diplomatic relations with foreign countries, trilateral aid cooperation has appealed to MFA as a new method for China to promote new partnerships with traditional donors and multilateral development organisations. For example, trilateral aid cooperation has become an important new component of China's partnership with traditional donors, including the US, UK, Australia and New Zealand. From this perspective, the MFA supports this new modality of aid delivery. Merriden Varrall, a former UNDP senior representative in Beijing, confirmed this appoint and argued that the MFA is pressuring MOFCOM to undertake trilateral cooperation and that the MFA believes that trilateral cooperation could also ease China's troubled relations with developed nations such as the US (Varrall, 2016, p. 30).

MOFCOM

MOFCOM's attitude towards trilateral aid cooperation is more cautious compared to that of the MFA. MOFCOM is tasked with improving the effectiveness and efficiency of China's foreign aid. In this sense, it is interested in new aid modalities, such as pilot trilateral aid projects. MOFCOM also faces pressures from other line ministries to pilot trilateral aid cooperation for their political and technical benefits. However, MOFCOM is mindful of obstacles for advancing trilateral aid cooperation, including its unfamiliarity with this aid modality, the wide gulf that its officials perceive between Chinese and Western foreign aid practices and norms, the increasing cost of aid coordination when more donors are involved and the ambiguous attitude of Chinese aid contractors and their partners in recipient countries towards trilateral cooperation.

In this complicated situation, MOFCOM—as the custodian of aid management on behalf of the Chinese government and Communist Party—takes a cautious attitude towards trilateral cooperation. We can expect that China will be stubborn in maintaining its core aid principles and the independence of its foreign aid delivery rather than being bound by Western aid norms. Based on this precondition, China will be open to more international engagement and pilot trilateral aid cooperation, so it can learn from traditional donors and multilateral development organisations. MOFCOM has been observing these pilot projects closely and has been gaining experience for the future expansion of trilateral cooperation. This reflects the wisdom of 'crossing the river by feeling for stones',³⁴ which is gained from China's reform and the opening-up process (Chen, 1980, p. 279).

The MoF and Other Line Ministries

Being the caretaker of China's annual budget, including the aid budget, the MoF's position on foreign aid is detached to a certain extent. It does not stand to lose much from trilateral cooperation, but it has the opportunity to promote mutual learning with its counterparts, such as

34 'To cross the river by feeling for stones' is a concept raised by Chen Yun in December 1980—and endorsed by Deng Xiaoping, the architect of China's reform process. In Chen's thinking, as China had no experience in reform, it had to be careful and move slowly. One useful way was to conduct pilot projects and accumulate experience for later projects, which is a practice that can be traced back to the Maoist era. After the benefits were found to outweigh the risks—or in Deng's terminology, the 'flies'—the experiment was expanded to the whole country.

the World Bank and the ADB. Therefore, their overall attitude towards trilateral cooperation is more positive than that of MOFCOM (Interview, Beijing, 6 August 2015).

Other line ministries, including the Ministry of Agriculture and the Ministry of Health, are active in promoting trilateral cooperation. Line ministries, especially those with technical expertise, are more interested in the exchange of skills in foreign aid provision, and they are keen to use trilateral cooperation as an opportunity for learning from their Western counterparts. A Chinese aid expert involved in the China–Australia–Cambodia irrigation dialogue—a trilateral project on knowledge sharing—applauded this project. He stated that ‘Australia has very advanced theories and practices in areas such as legislation, well-defined users’ rights, trading and monitoring of water resources. This is a good learning opportunity for China’ (Interview, Beijing, 24 August 2015).

Line ministries are also keen to apply and test their technologies in unfamiliar environments. In the case of agriculture, there is also a profit motive and access to new markets for China’s agricultural expertise and products, such as agricultural machinery. Other sectors (e.g. the health and disaster relief sectors) are similar. For example, one motivation of China’s Ministry of Civil Affairs (MCA) in joining the trilateral project with the UK’s Department for International Development (DFID) on disaster relief in Bangladesh and Nepal was to expand the influence of China’s disaster relief experience (Interview, Beijing, 4 August 2015). This in turn can add value to the MCA’s portfolio and expand its influence.

In addition, every line ministry has its department of international cooperation, which is tasked with liaising with foreign countries. These departments were mainly responsible for managing traditional donors and receiving their aid to China. As traditional donors reduce their aid to China, these departments are strongly motivated to explore new markets for their work, so they can maintain staffing and funding levels. Conducting trilateral cooperation with traditional donors in Third World countries is such a market. This explains why these departments in various ministries are actively pushing for trilateral cooperation.

The China Exim Bank

The China Exim Bank's attitude is ambiguous. It is seemingly cautious about undertaking trilateral projects due to concerns regarding the coordination costs. As the bank's large proportion of concessional loan projects are large-scale infrastructure projects, the work of coordination in potential trilateral cooperation could be daunting (Interview with MOFCOM aid official, Canberra, 19 July 2016). Another possible reason is that it could be difficult to divide the dividends in concessional loan projects that have substantial commercial interests. However, as concessional loans now account for more than half of China's total foreign aid, it is natural for the China Exim Bank to become involved in trilateral aid cooperation. At this stage, the China Exim Bank is trying to bypass the difficulty of dividing its commercial interests by conducting trilateral aid projects in which China and traditional donors are each responsible for their own part of the project, under the broad umbrella of trilateral cooperation. The China–New Zealand–Cook Islands trilateral project on water supply in Rarotonga is a suitable example. In effect, this is parallel rather than trilateral cooperation.

Chinese Companies

The attitudes of China's aid contractors towards trilateral cooperation are similar to those of the China Exim Bank. They are not accustomed to working jointly on aid projects with traditional donors and construction companies from developing nations, nor are they keen to divide the economic benefits of these projects or take direction from foreign project managers. Yet, an increasing number of Chinese companies is gaining this kind of experience by winning commercial contracts from traditional donors. Chinese companies are also keen to learn from traditional donor skills and management expertise in areas such as social responsibility and environmental protection, with which Chinese companies are less familiar (Interview with Chinese companies, Port Moresby, 10 and 11 November 2014). To some Chinese resident managers, promoting partnerships with their Western counterparts might also help move their businesses up the value chain and even access markets in developed nations.

In short, identities and material interests influence China's aid agencies' attitudes towards China's foreign aid and trilateral aid cooperation. The MFA is the most supportive of trilateral cooperation, while

MOFCOM cautiously welcomes it. The MoF is more positive because it has less 'skin in the game' than MOFCOM, and other line agencies also welcome this new aid modality. The China Exim Bank and Chinese companies have ambiguous or conflicted attitudes.

Conclusion

This chapter has analysed the evolution of China's foreign aid policy and practices—especially its adoption of trilateral aid cooperation—from both external and domestic perspectives, as well as the interest calculations by the Chinese government. This triangulation reduces the research bias and errors that might occur if the research focuses solely on one perspective.

From the perspective of the Chinese government's interest calculations, China's leaders continue to emphasise their three identities as a socialist country, a developing country and a rising great power. The shift in identity over time has led to the shift in China's interest calculations. From 1950 to 1978, the Chinese government focused on its identity as a socialist country and thus foreign aid was used to promote its political interests by building a revolutionary united front against Western countries. From 1978 to 1999, China enacted the reform and opening-up policy to rejuvenate its moribund economy. China's identity as a developing country received more attention and foreign aid was regarded as promoting mutual benefits for China and the recipient countries rather than revolution. To China, the provision of foreign aid could help Chinese companies gain access to overseas markets for their products and investment, as well as obtain resources to support domestic economic development.

Since 2000, China's economy has continued to grow, and its economic strength has been significantly boosted. In the area of development cooperation, the Chinese government has focused more on its identity as a rising global power. The importance of global image-building has thus begun to prevail over short-term economic benefits. Foreign aid serves this purpose. China's policymakers, looking to promote China's global image as a responsive, responsible and respectable global power, have come to accept trilateral aid cooperation, albeit to differing degrees.

From the perspective of international engagement, the PRC government has been engaging with the outside world since 1950, when it began providing development assistance. China's engagement with traditional

donors and multilateral development organisations has increased since 1978, after which China agreed to accept their assistance. Since 2000, this engagement has diversified and expanded substantially; the influence of China as an emerging donor is growing rapidly. The focus of Western donors and multilateral development organisations on development cooperation with China is shifting from providing aid to China to aid coordination and the joint provision of assistance to other developing countries. Trilateral aid cooperation is consequently discussed and piloted between China and traditional donors and multilateral development organisations.

From the perspective of China's domestic foreign aid bureaucracy, China's aid agencies differ in their human resources capacity to manage foreign aid. Based on their own interests, the objectives they seek to achieve by providing foreign aid are also different, which defines their differing propensities for interest-based alliances. This point applies to their attitudes towards trilateral aid cooperation. Among these agencies, the MFA, with its diplomatic focus, is an enthusiastic supporter of trilateral cooperation, while MOFCOM welcomes it with some reservations. The China Exim Bank is piloting 'parallel' aid cooperation, in which China and traditional donors separately conduct their own part of the project under the umbrella of a trilateral project. China's other ministries show more interest in the opportunities of learning technical and management skills in their areas of specialisation, and they largely support trilateral aid cooperation. China's aid contractors have conflicted attitudes towards aid cooperation, as they oppose cooperation on projects with substantial commercial interests while being keen to learn useful aid practices and skills from their Western counterparts.

Based on the above discussion, and with the hindsight of empirical support from the following three case study chapters, I argue that China's adoption of trilateral aid cooperation reflects its stronger desire to be globally considered a responsible great power, as well as its stronger desire to learn through growing international engagement with traditional donor states and multilateral development agencies on aid delivery. Professor Zhou Qi from the China Academy of Social Sciences provided another example of China's aid evolution as a result of cognitive learning and global image-building. She traced the process of China's changing position on participating in global peacekeeping from outright opposition (1949–1980), to acquiescence (1981–1988) and to active support (since 1989) (Zhou, 2010). In explaining this evolution, she

argued that China has become actively involved in global peacekeeping for reasons including global image-building as a responsible great power and is learning advanced technologies and management skills from the peacekeepers of other countries (Zhou, 2010, p. 59).

How will China reform its foreign aid in the future? MOFCOM Vice Minister Fu Ziying's remarks are instructive:

There will be no big changes to China's foreign aid policies, but changes may happen regarding its foreign aid structure and in some areas due to the new circumstances and changes in global development ... China will further promote its external engagement on development assistance, to learn some advantageous and effective ways of aid delivery from international multilateral organizations and other countries, so as to improve China's foreign aid system, ways of delivery, policies and measures. (State Council, 2011b, para. 20, 33)

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