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中國對漠南非洲對外援助的修辭與現實

Rhetoric and Reality of China's Foreign Aid toward

Sub-Saharan Africa

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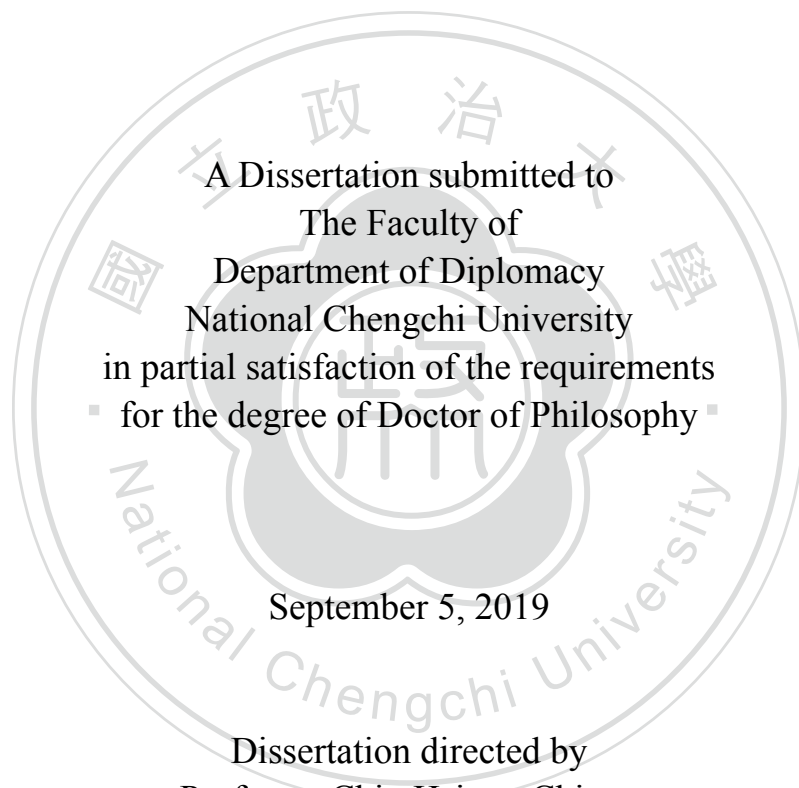
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Abstract

The People's Republic of China's (hereafter referred to as China) foreign aid has become a lightning rod for criticism in recent years. Scholars and commentators are claiming that China is threatening the interests of international community by exploiting Sub-Saharan Africa's natural resources, providing rogue aid, setting up debt traps, practicing neo-colonial agenda, and hindering the spread of good governance via China's opaque finance of aid. Moreover, Western political leaders are keen to rhetorically tag labels of "predatory loan practices," "opaque agreements," and "strategic use of debt" on the patterns of Chinese aid behaviors.

However, does the above claims provide a fair and authentic interpretation of reality? In order to figure out whether there is a gap between the rhetoric and reality of the scholarships concerning China's foreign aid behaviors, this dissertation suggests to deconstruct the Chinese aid by engaging the ideational structure of normative guidance and the material structure of institutional mechanism of Chinese aid from the 1950s to the 2010s and to further ascertain whether China's foreign aid is a form of Neo-Colonialism and a debt-trap. By incorporating data, statistics and process tracing, the Sub-Saharan Africa would be highlighted as a regional case study to separate the rhetoric from the reality. The author finds that China's foreign aid has been driven by economic incentives since the 1980s. With the launch of China's concessional loan policy in 1994, China's foreign aid has turned into a trinity of aid, trade and investment, acting as a catalyst for Chinese enterprises' contracting aid projects abroad. Given the existence of Sino-Africa complementarities and African governments' country ownership, the claims of China's neo-colonial aid projects are not reality. Moreover, the alleged Chinese debt traps of aid have also been misdiagnosed.

Key Words: China's Foreign Aid, Rhetoric and Realty, Neo-Colonialism, Debt Traps

摘要

近年來，中華人民共和國(以下簡稱「中國」)對漠南非洲(Sub-Saharan Africa)之對外援助已成各方批判焦點。某些學者與專家認為，中國為了奪取漠南非洲的自然資源，羅織債務陷阱 (debt traps)，並運作帶有新殖民主義(Neo-colonialism)色彩之外援，以其不透明的金融援助，阻礙目標國對「良善治理」(Good Governance)的追求，進而威脅國際社會利益。此外，西方政治領導人論及中國之外援時，修辭上常以「掠奪性貸款之行為」(predatory loan practices)、「不透明協議」(opaque agreements)與「戰略性地利用債務」(strategic use of debt)標籤化中國的行為。

本文首要釐清，究竟上述觀點與針對現狀之描述是否真實且客觀?為檢驗中國漠南非洲外援行為相關文獻之批判修辭是否與現實間存在差距，作者試圖透過1950年代至2010年代中國外援之規範性指南(normative guidance)，並爬梳中國外援制度與機構之變遷，進一步探析中國的對外援助是否即屬新殖民主義行為與債務陷阱。透過漠南非洲之區域案例進行研究，結合統計數據、資料彙整與過程演變之追蹤，區分批判中國外援觀點中的修辭與現實。研究發現，自1980年代以降，經濟利益便持續驅動著中國對外援助行為。隨著1994年援外優惠貸款政策之推行，中國的外援模式逐步轉型為援助、貿易及投資三位一體的集成，成為中國企業在海外承攬援助項目之催化劑。鑒於中國與漠南非洲國家間存在著互補性，以及雙方合作過程中非方並未喪失國家自主權 (country ownership)，中國的外援係新殖民主義的說法並不符實。另外，中國以對外援助製造債務陷阱的觀點亦不符現實之判斷。

關鍵字：中國的對外援助、修辭與現實、新殖民主義、債務陷阱

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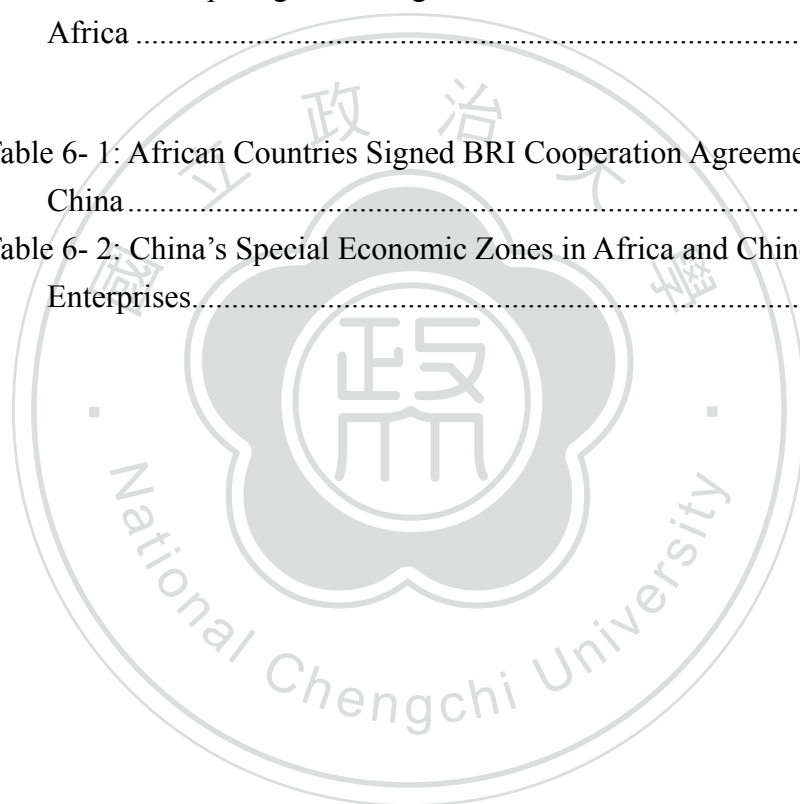
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List of Abbreviations

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AIBO	Academy of International Business Officials
AIECO	Agency for International Economic Cooperation
ARF	ASEAN Regional Forum
AU	African Union
BIT	Bilateral Investment Treaty
BRI	Belt and Road Initiative
CARI	China-Africa Research Initiative
CASCF	China-Arab States Cooperation Forum
CCETCF	China-Caribbean Economic and Trade Cooperation Forum
CDB	China Development Bank
CEEC	Cooperation between China and Central and Eastern European Countries
CGD	Center for Global Development
China Exim Bank	Export-Import Bank of China
CIA	Central Intelligence Agency
CICETE	China International Center for Economic and Technical Exchanges
CIDCA	China International Development Cooperation Agency
CNPC	Chinese National Petroleum Corporation
CNY	Chinese Yuan
COMPLANT	China National Complete Plant Import and Export Group Corporation Limited
CPC	The Communist Party of China
DAC	Development Assistance Committee
DKK	Danish Krone
DPRK	Democratic People's Republic of Korea
DR	Development Reimagined
DRC	Democratic Republic of the Congo
FAO	Food and Agriculture Organization of the United Nations
FOCAC	Forum on China-Africa Cooperation
G7	Group of Seven
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GPPI	Global Public Policy Institute

HIPC	Heavily Indebted Poor Countries
ICAO	International Civil Aviation Organization
ICT	Information and Communication Technology
ICTs	Information and Communication Technologies
IMF	International Monetary Fund
IMO	International Maritime Organization
IR	International Relations
ITU	International Telecommunication Union
JICA	Japan International Cooperation Agency
MFA	Ministry of Foreign Affairs
MFT	Ministry of Foreign Trade
MOF	Ministry of Finance
MOFCOM	Ministry of Commerce of the People's Republic of China
MOFCOM	Ministry of Commerce of the People's Republic of China
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
MOU	Memorandum of Understanding
MW	Megawatt
NDRC	National Development and Reform Commission
NEPAD	New Partnership for Africa's Development
NICTBB	National ICT Broadband Backbone
NPC	National People's Congress
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OOF	Other Official Flow
OPEC	Organization of Petroleum Exporting Countries
PEACE	Pakistan East Africa Cable Express
PIK	Payment-in-Kind
PRC	People's Republic of China
SAIS	Johns Hopkins University School of Advanced International Studies
SAPs	Structural Adjustment Programs
SCO	Shanghai Cooperation Organization
SOA	State Oceanic Administration
SOEs	State Owned Enterprises
Sotelgui	Societe des Telecommunications de Guinee
SPC	State Planning Committee
SSA	Sub-Saharan Africa
SSC	South-South Cooperation
UN	United Nations

UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNGA	United Nations General Assembly
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WB	World Bank
WENR	World Education News & Reviews
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization
ZTE	Zhongxing Telecom Ltd



Chapter One

Introduction

The last few decades have seen growing importance placed on research in China's foreign aid activities among developing countries and the region of Sub-Saharan Africa (SSA) has received the most attention. A growing number of research studies are now available to shed lights on cases of China's aid behaviors in the SSA due to the fact that while China has been carrying out aid projects in African countries since the 1950s. it is the most important non-member of the Development Assistance Committee (DAC) of Organization for Economic Co-operation and Development (OECD) that provides aid finance and projects.¹ There are mainly two lenses viewing China's foreign aid activities in SSA. On the one hand, China's aid behaviors have been bombarded by critics for its opaqueness, exploitation and predatory practices and political influence. On the other hand, there are counter arguments suggesting that China is an alternative partner to African countries since billions of Official Development Assistance (ODA) sent from wealthy DAC countries have not helped to reduce poverty and increase growth in the developing countries.² W. Gyude Moore, Liberia's Minister of Public Works from December 2014 to January 2018 considers that China's aid engagement with the SSA has brought net benefits to the African people in terms of investment, trade opportunities and infrastructure construction and mutual respect.³ Moore says that while the Western experts take the African Continent as a place that requires

¹ Louise Granath, "The Rise of China: Competing or Complementary to DAC Aid Flows in Africa?" *Work Papers in Economics*, No. 671, 2016, https://gupea.ub.gu.se/bitstream/2077/47583/1/gupea_2077_47583_1.pdf

² Dambisa Moyo, *Dead Aid: Why Aid is not Working and How There is a Better Way for Africa* (New York: Farrar, Straus and Giroux, 2009)

³ Paulson Institute, "Gyude Moore: China in Africa: An African Perspective," YouTube Video, 58:36, March 25, 2019, <https://www.youtube.com/watch?v=P5uzxV8ub9k>

endless reforms and ODA, the Chinese find business opportunities and potential prosperities in the most risky and unpredictable African regions. As an African policy maker, China's model of foreign aid projects is more appealing, because instead of receiving help from the DAC countries, Africans also want to have an opportunity of economic growth and prosperity.

Views of China's aid behaviors have been polarized in a dichotomy, creating disputed claims about Chinese aid behaviors in the SSA. The goal of this doctoral research is to investigate whether these disputed claims are rhetoric or reality by incorporating the intervening variables of normative guidance and institutional mechanism of Chinese aid as well as data and statistics mapping out the amount and numbers of Chinese aid. Are China's foreign aid projects more inclined to political interests or economic interests? Are China's aid behaviors managed by political driven agency or economic driven agency? How does China's foreign aid work? The author suggests that it is critical for scholars, policy-makers and practitioners to distinguish between the rhetoric and reality of Chinese aid, so that the underestimation, overestimation or misdiagnosis of China's aid behaviors can be avoided.

1.1 Research Background

The background of this research begins with a review of foreign aid theories in the domain of International Relations and singles out a gift-giving tradition in the practice of foreign aid among OECD-DAC countries. The concept of foreign aid seems to be constrained by the practice of ODA, which has to be concessional, grant based and disengaged with commercial activities. However, there are two types of foreign aid according to the OECD-DAC's definition, one is Official Development Assistance

(ODA) and another one is Other Official Flow (OOF).⁴ According to OECD-DAC, ODA is the resource flows to developing countries and multilateral institutions provided by official agencies and each transaction must meet two conditions: (1) it is administered for the promotion of the economic development and welfare of developing countries and (2) it is concessional in character and contains a grant element of at least 25%.⁵ On the other hand, OECD-DAC defines OOF as transactions made by the official sector which do not meet the conditions of ODA for the following three reasons: (1) they are not primarily aimed at development, (2) they have a grant element of less than 25 per cent, and (3) despite the grant element, and they are primarily export-facilitating in purpose.⁶ In short, ODA has to have a grant proportion of at least 25% and exclude commercial activities while OOF does not have to carry 25% of grant proportion and is allowed to contain commercial activities such as export credits.⁷

In other words, ODA does not equal to the entire practice of foreign aid and foreign aid activities do not have to be entirely concessional. When OECD-DAC's ODA has failed to successfully reduce the poverty and increase economic development in the SSA, China's foreign aid projects represent a new and a different alternative to the African policy makers, because China does not only highlight the work of ODA and an unilateral pattern of providing grants to aid recipient countries. Instead, OOF plays an important part in China's foreign aid composition to foster bilateral trade, investment and joint cooperation. Nonetheless, it is also due to the entanglement with commercial activities via China's OOF, China has become a controversial aid provider in the

⁴ Organisation for Economic Co-operation and Development, "Other official flows (OOF)," *OECD Data*, <https://data.oecd.org/drf/other-official-flows-oof.htm>

⁵ OECD, "DAC in Dates: The History of OECD's Development Assistance Committee 2006" *OECD* www.oecd.org/dac/1896808.pdf; OECD, "Is this ODA?" *OECD*, February 18, 2019, https://www.sheffield.ac.uk/polopoly_fs/1.659262!/file/Is_it_ODA.pdf

⁶ *Ibid.*

⁷ *Ibid.*

academic discussion.

1.1.1 The Theories of Foreign Aid

The theories of foreign aid serve both for the political realism⁸ and idealism.⁹ For the realists, aid provision is a policy tool that tends to use transfers of funds, services, technology and people to enhance state interactions and to influence the political judgments of recipient countries.¹⁰ It is an instrument for states to achieve foreign policy goals including uniting allies, opening markets, establishing regimes of global governance, etc.¹¹ George Liska claims that that aid can advance a donor's position by consolidating a friendly regime's legitimacy, increasing the donor's access to resources, or expanding the donor's power and influence at the expense of the other actor.¹² On the contrary, the idealists consider foreign aid is a gift that engenders from a perception of an imagined oneness of the international community.¹³ Foreign aid has a moral purpose to improve the socio-economic and political development of recipient countries and to raise their levels of per capita income through economic growth, infrastructure

⁸ Political realism defines interests in terms of power via the struggle for power. It has a more pessimistic tendency that remains suspicious to the hope of a more reasonable and peaceful world and believes the common policies of great powers have determinant role in international cooperation. See Peter Gellman, "Harts J. Morgenthau and the Legacy of Political Realism," *Review of International Studies*, Vol. 14 No. 4 (1988), pp. 247-266.

⁹ Idealism has an optimistic tendency that seeks to transcend the international anarchy, and creates a more cosmopolitan, interdependent and harmonious world order for mankind.

¹⁰ George Liska, *The New Statecraft: Foreign Aid in American Foreign Policy* (Chicago: University of Chicago Press, 1960); Hans Morgenthau, "A Political Theory of Foreign Aid," *American Political Science Review*, Vol. 56 No. 2 (1962), pp. 301-309; R. D. McKinlay and A. Mughan, *Aid and Arms to the Third World: An Analysis of the Distribution and Import of US Official Transfer* (New York: St. Martin's, 1984); R. D. McKinlay and R. Little, "A Foreign Policy Model of US Bilateral Aid Allocation," *World Politics*, Vol. 30 No. 1 (1977), pp. 58-86; Steven W. Hook, *National Interest and Foreign Aid* (Boulder, CO: Lynne Rienner, 1955)

¹¹ David Williams, "The History of International Development Aid," *Queen Mary University of London*, <https://qmro.qmul.ac.uk/jspui/handle/123456789/8063>

¹² George Liska, *The New Statecraft: Foreign Aid in American Foreign Policy* (Chicago: University of Chicago Press, 1960), p. 12.

¹³ Thomas I. Cook and Malcolm Moos, "Foreign Policy: The Realism of Idealism," *The American Political Science Review*, Vol. 46, No. 2. (1952), p. 355; David Halloran Lumsdaine, *Moral Vision in International Politics: The Foreign Aid Regime, 1949-89* (Princeton: Princeton University Press, 1993), p. 4.

establishment and industry and administrative capacity improvement.¹⁴ Economists Alfred Maizels and Machiko Nissanke examined aid to 80 countries and found that donor's humanitarian interest is the best explanation of multilateral aid flows.¹⁵ In spite of which purposes, the main assumption is that the more and the better foreign aid is given, the more likely Southern countries and populations are to improve their condition.¹⁶

In reality, foreign aid often reflects an uneven power relationship of a wealthy donor, which is usually from the Global North and a poor recipients of the Global South. In 2016, Group of Seven (G7) countries provided 74% of total net global ODA.¹⁷ The largest DAC donors by volume in 2016 were the United States (US\$ 33.59 billion), Germany (US\$ 24.67 billion), the United Kingdom (US\$ 18.01 billion), Japan (US\$ 10.37 billion) and France (US\$ 9.50 billion).¹⁸ In addition, the largest recipients of ODA in 2016 were Ethiopia (US\$ 4.1 billion), Afghanistan (US\$ 3.9 billion), Turkey (US\$ 3.6 billion), Pakistan (US\$ 2.9 billion) and Syria (US\$ 2.8 billion).¹⁹ Among the largest recipients, they are all countries from the Global South, except Turkey. Manifestly, foreign aid has long been viewed as a gift given from the wealthy North to

¹⁴ David A. Baldwin, *Foreign Aid and American Foreign Policy: A Documentary Analysis* (New York: Praeger, 1966); Hollis B. Chenery and Alan M. Strout "Foreign Assistance and Economic Development," *American Economic Review*, Vol. 56 No. 4 (1966), pp. 679-733; Robert A. Packenham, *Liberal America and the Third World: Political Development Ideas in Foreign Aid and Social Science* (Princeton, NJ: Princeton University Press, 1973); David H. Lumsdaine, *Moral Vision in International Politics: The Foreign Aid Regime, 1949-89* (Princeton, NJ: Princeton University Press, 1993); R. C. Riddell, "The Moral Case for Post-Cold War Development Aid," *International Journal*, Vol. 51 No. 2 (1996), pp. 191-210; B. R. Opeskin, "The Moral Foundations of Foreign Aid," *World Development*, Vol. 24 No. 1 (1996), pp. 21-44.

¹⁵ Alfred Maizels and Machiko Nissanke, "Motivations for Aid to Developing Countries," *World Development*, Vol. 12, No. 9 (1984), pp. 879-900.

¹⁶ Annalisa Furia, *The Foreign Aid Regime Gift-Giving, States and Global Dis/Order* (London: Palgrave Macmillan, 2015), p. 2.

¹⁷ OECD, "Development Aid Rises again in 2016" OECD – Paris, April 11 2017, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2016-detailed-summary.pdf>

¹⁸ *Ibid.*

¹⁹ Development Initiatives, "Final ODA Data for 2016," *Development Initiatives* January, 2018 <http://devinit.org/wp-content/uploads/2018/01/Final-ODA-data-2016.pdf>

the poorer South.

In the Western tradition of welfare state, foreign aid is like a gift to be given without reciprocation.²⁰ For many wealthy aid donors, giving grants has always been viewed as a moral issue that goes along with duty and responsibility from a welfare state.²¹ Annalisa Furia argues that the concept of “gift” provides the right entry point to understand the practice of foreign aid.²² It is a voluntary act of giving resources to foreigners in need. It derives from the “common perception of giving as the duty of the more fortunate and the expression of the highest principles, moral norms and aspirations of the West.”²³ As a matter of fact, the culture of gift-giving is rooted in the Western civilization, which dates back to the Bible that everything humans have are a gift from God²⁴ and has also been embedded in religious norms and rituals, ethical thinking, and Greek philosophy.²⁵ This gracious practice of gift-giving has been entangling with social development of charity, good-deeds and even the international laws of civilization from the Western civil peoples in the 19th century, to the developed peoples in the 20th and now the Western democratic peoples.²⁶

In compliance with the tradition treating foreign aid as a gift, the wealthy countries

²⁰ Annalisa Furia, *The Foreign Aid Regime: Gift-Giving, States and Global Dis/Order*; Kelly Cristiane da Silva, “AID as Gift: an Initial Approach,” *Mana*, Vol. 14 No. 1 (2008), pp. 141-171; Rosalind Eyben, “The Power of the Gift and the New Aid Modalities,” *IDS Bulletin*, Vol. 37 No. 6 (2006), pp. 88-98; A. Noël and J. P. Thérien, “From Domestic to International Justice: The Welfare State and Foreign Aid,” *International organization*, Vol. 49 No. 3 (1995), pp. 523-554.

²¹ Roger C. Riddell, *Does Foreign Aid Really Work?* (New York: Oxford University Press, 2007), p. 1; David Halloran Lumsdaine, *Moral Vision in International Politics: the Foreign Aid Regime, 1949-1989*, p. 115.

²² Annalisa Furia, *The Foreign Aid Regime: Gift-Giving, States and Global Dis/Order*, p. 10.

²³ *Ibid.* p. 2.

²⁴ Mikael Henaff, *The Price of Truth. Gift, Money and Philosophy* (Stanford: Stanford University Press, 2010), p. 266.

²⁵ Natalie Zemon Davis, “The Gift,” *Bibliography*, <http://science.jrank.org/pages/7732/Gift.html>; Harry Liebersohn, *The Return of the Gift: European History of a Global Idea* (New York: Cambridge University Press, 2011); Mark Osteen, *The Question of the Gift. Essays across Disciplines*, (London: Routledge, 2002)

²⁶ Gustavo Gozzi, *Rights and Civilizations: A History and Philosophy of International Law* (Cambridge: Cambridge University Press, 2019)

are believed to be ethically obligated towards the poor countries to alleviate poverty.²⁷ The advocates of gift-giving aid suggest that the benefits outweigh the cost of giving and the more material resources are provided, the more likely Southern countries are to improve their condition.²⁸ Gift-giving aid is an extension of responsibilities of the wealthy countries to provide the most vulnerable groups with a safety net.²⁹ It believes that a more balanced situation between the North and the South would be a long-term interest of Western developed countries.³⁰

Nevertheless, there is a mixed feeling taking foreign aid as a gift-donation among practitioner and agencies for they emphasize more on the cost-benefit analysis of results rather than moral beliefs. Foreign aids are no free gifts.³¹ Gift-giving assistance is a strategy to foster unequal power relations, including not only commercial interests, political subjugation, but also a construction of alliance among giving and receiving agents.³² It has become a tool to gain political clients.³³ Hans Morgenthau considers gift-giving aids are similar to bribes offered by one government to another for political advantage.³⁴ During the Cold War, the United States and Soviet Union both delivered aids to increase favorable political supports and decrease the support for its rivals.³⁵

²⁷ Jean-Philippe Thérien, "Debating Foreign Aid: Right versus Left," *Third World Quarterly*, Vol. 23, No. 3 (2002), p. 461; Robert A. Zimmerman, "The Determinants of Foreign Aid: An inquiry into the Consequences of Welfare State Institutions and Public Opinion," *University of Amsterdam Political Science Department*, <https://www.oecd.org/dev/40699467.pdf>

²⁸ *Ibid.*

²⁹ *Ibid.*

³⁰ *Ibid.* To Pratt, there are three strands of humane internationalism. First is liberal internationalism. It is committed to an open, multilateral trading system. Second is reform internationalism. It advocates allocation of resources from North to the South. The third is radical internationalism, which assumes an imbalanced relationship between North and South. The North is exploitative to the South. To achieve a more self-reliance Third World, we need to radically change the North-South division.

³¹ Marcel Mauss, *The Gift. The Form and Reason for Exchange in Archaic Societies* (London: Routledge, 2002), p. 3; M. Douglas, "No Free Gifts." in M. Mauss ed., *The Gift: The Form and Reason for Exchange in Archaic Societies* (Abingdon: Routledge, 2002), p. ix.

³² Marcel Mauss, *The Gift. The Form and Reason for Exchange in Archaic Societies*

³³ Deepak Lal, "Foreign Aid: An Idea Whose Time has Gone," *Economic Affairs*, Vol. 16, No. 4 (1996), pp. 9-13.

³⁴ Hans Morgenthau, "A Political Theory of Foreign Aid," *The American Political Science Review*, Vol. 56 No. 2 (1962), pp. 301-309.

³⁵ Per Lundborg, "Foreign Aid and International Support as a Gift Exchange," *Economics and Politics*

The common wisdom in nowadays notes that using aid as an instrument of foreign policy has become a common practice in realist politics.³⁶ The self-interested determinants of foreign aid encompasses humanitarian need, strategic importance, economic potential, cultural similarity, regional proximity and ideological stance.³⁷ Hence, Alberto Alesina and David Dollar argue that the pattern of aid allocation is directed by political and strategic considerations, which have little to do with poverty reduction and good governance.³⁸ Similar findings have been drawn by other scholars claiming that realist interests have prevailed in the process of deciding ODA policies.³⁹ For instance, the U.S. is said to provide foreign aid in the name of soft power in order to establish an acceptable world order after the cold war.⁴⁰ French policymakers tend to use resource flows to maintain and promote French culture and economic interests within the French-speaking community and former colonies.⁴¹ In the case of Japan, a business foreign policy is conducted to integrate governmental and corporate actors with industrial policies to enhance exports via concessional aid.⁴²

1.1.2 The Question of ODA's Effectiveness

Does ODA promote economic development in the SSA? Has ODA successfully

Vol. 10 No. 2 (1998), pp. 127-141.

³⁶ Jean-Philippe Thérien, "Debating Foreign Aid: Right versus Left," *Third World Quarterly*, Vol. 23, No. 3 (2002), p. 460; Robert A. Packenham, "Foreign Aid and the National Interest," *Midwest Journal of Political Science*, Vol. 10, No. 2 (1966), pp. 214-221.

³⁷ Muhindo Mughanda, "Inquiry on Self-Interested Foreign Aid: Insights from the ODA-Migrations Link in SSA Countries," *African Journal of Political Science and International Relations*, Vol. 5 No. 4 (2011), p. 2.

³⁸ Alberto Alesina and David Dollar, "Who Gives Foreign Aid to Whom and Why?" *Journal of Economic Growth*, Vol. 5 No. 1 (2000), pp. 33.

³⁹ Peter J. Schraeder, Steven W. Hook, and Bruce Taylor, "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows," *World Politics*, Vol. 50 No. 2 (1998), pp. 294-323; Ngaire Woods, *Explaining International Relations since 1945* (Oxford: Oxford University Press, 1996)

⁴⁰ J. Nye, *Soft Power: The Means to Success in World Politics, Understanding World Politics* (Cambridge: University Press, Cambridge, 2004)

⁴¹ Alfred Grosser, *French Foreign Policy Under de Gaulle* (Boston: Little, Brown and Company, 1967)

⁴² John Stirling, "Japan and Asia: A Business Foreign Policy," *Asian Affairs*, Vol. 8 No. 6 (1981), pp. 353-363.

reduced poverty in the SSA? The Paris Declaration adopted in 2005 and reaffirmed in 2008 by the OECD has pointed five principles making aid more effective: ownership, alignment, harmonization, managing for results, and mutual accountability.⁴³ However, it is noted that the Paris Declaration does not take the political social dimensions into account, and does not link to real context for real people in developing countries.⁴⁴ The indicators are designed to guide the assistance program instead of satisfying the needs of the recipients pursuant to the local perspectives.

The improvements of aid effectiveness are not only slow, but also uneven in most developing countries. Former Oxfam spokesperson Gregory Adams once stated that donors have performed badly on improving the effectiveness of their aid and they are trying to negotiate their way out of their commitments in compliance with the Paris Declaration.⁴⁵ Dambisa Moyo claims that ODA is the root cause of all the ills in the SSA. Moyo wrote:

Why is it that Africa, alone among the continents of the world, seems to be locked into a cycle of dysfunction? Why is it that out of all the continents in the world Africa seems unable to convincingly get its foot on the economic ladder? Why in a recent survey did seven out of the top ten 'failed states' hail from that continent? Are Africa's people universally more incapable? Are its leaders genetically more venal, more ruthless, more corrupt? Its policymakers more innately feckless? What is it about Africa that holds it back, that seems to render it incapable of joining the rest of the globe in the twenty-first century? The

⁴³ OECD Home, "Paris Declaration and Accra Agenda for Action, Organization for Economic Co-operation and Development,"

<http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

⁴⁴ Rebecca Roberts, "Reflections on the Paris Declaration and Aid Effectiveness in Afghanistan," *The Afghanistan Research and Evaluation Unit*, (2009), pp. 1-17,

http://www.operationspaix.net/DATA/DOCUMENT/5180~v~Reflections_on_the_Paris_Declaration_and_Aid_Effectiveness_in_Afghanistan.pdf; Jonathan Glennie, "Yes, the Paris Declaration on Aid Has Problems but It's still the Best we Have," *Guardian News and Media*, November 18, 2011, <https://www.theguardian.com/global-development/poverty-matters/2011/nov/18/paris-declaration-aid-effectiveness-necessary>

⁴⁵ Oxfam, "Global Aid Agreement on a Knife-Edge," *Oxfam*, November 16, 2011,

<https://www.oxfam.org/en/pressroom/pressreleases/2011-11-16/global-aid-agreement-knife-edge>

answer has its roots in aid.⁴⁶

Billions of dollars sent from wealthy countries has not helped to reduce poverty and increase growth. Moyo notes that the overreliance on aid will trap developing countries in a vicious circle of aid dependency, corruption and poverty, leaving nothing but the need for more aid. In addition, William Easterly suggests that the strategy of aid allocation is problematic.⁴⁷ Easterly finds that more than US\$ 2.3 trillion has been spent in the last 5 decades on foreign aid by the West and most of the money has done little of what it was supposed to do. In a Congressional Report, Marian Leonardo Lawson deems that it is not clear to judge whether an aid program is successful or ineffective because most aid programs have not been evaluated for the purpose of determining their actual impact.⁴⁸ It is also difficult to draw a connection between the effectiveness of the aid program and policies of foreign aid and the degree of the achieved development in the recipient countries, because there are different factors that may control the final results of the development programs, such as civil war, political turmoil and natural disasters.⁴⁹ Given this, the aid effectiveness still remains further studies, especially in the SSA, because many of African states are still facing major setbacks and challenges in infrastructure, manufacture, education, etc. after all these decades of Western ODA.

1.1.3 China is a Rising Heavyweight Provider of Foreign Aid

China is the heavyweight in the contemporary discussion of non-DAC actor of

⁴⁶ Dambisa Moyo, *Dead Aid: Why Aid is not Working and How There is a Better Way for Africa*, p. 22.

⁴⁷ William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (London: Penguin Books, 2007)

⁴⁸ Marian Leonardo Lawson, *Does Foreign Aid Work? Efforts to Evaluate U.S. Foreign Assistance* (Washington DC: CRS Report for Congress, R42827, 2016)

⁴⁹ Moosa Elayah, "Lack of Foreign Aid Effectiveness in Developing Countries between a Hammer and an Anvil Contemporary Arab Affairs," Vol. 9 No. 1 (2016), p. 82.

foreign aid.⁵⁰ Although China's foreign aid grant is relatively smaller compared with the major aid DAC donors, it is growing at a fast rate.⁵¹ The amount of China's foreign aid in 2001 was only about 1.8 percent of the total contribution made by the DAC members.⁵² However, with the implementation of Going Out policy, the overseas finance of Chinese foreign aid has grown at an average rate of 21.8 percent annually.⁵³ In 2013, China contributed about 3.9 percent to total global development assistance, which is 6.6 percent of the total contribution by DAC countries and over 26 percent of total U.S. foreign aid.⁵⁴ It is estimated that China has become the largest foreign aid provider outside the DAC members.⁵⁵

1.1.4 China is a Different Aid Provider

In contrast to the DAC's foreign aid projects, China's foreign aid projects in the SSA primarily focus on infrastructure, manufacture and commercial activities promotion. Despite that China has been deeply engaged with the SSA in a variety of sectors, infrastructure and commerce are two the leading cooperative sectors in the China-Africa relationship. Moreover, infrastructure building and commercial incentive are often combined as a package in most of the Chinese aid projects. There is a saying in China that goes "Yào Xiǎng Fù Xiān Xiū Lù." It literally means that if you want to get rich, build a road first. Unlike the Westerners, the Chinese are offering a different bargain that combines aid, investment and trade to the Africans in light of infrastructure

⁵⁰ Richard Manning, "Will "Emerging Donors" Change the Face of International Cooperation?" *Development Policy Review*, Vol. 24 No. 4 (2006), p. 375.

⁵¹ Junyi Zhang, "Chinese Foreign Assistance, Explained," *The Brookings Institution*, July 19, 2016 <https://www.brookings.edu/blog/order-from-chaos/2016/07/19/chinese-foreign-assistance-explained/>

⁵² *Ibid.*

⁵³ *Ibid.*

⁵⁴ *Ibid.*

⁵⁵ Axel Dreher, Andreas Fuchs, Bradley Parks, Austin Strange, Michael Tierney, "Aid, China, and Growth: Evidence from a New Global Development Finance Dataset," *Working Paper 46 AidData* (2017), pp. 1-65. http://docs.aiddata.org/ad4/pdfs/WPS46_Aid_China_and_Growth.pdf

projects. It is a business deal of complimentary exchange that proposes Africans to leverage what they have for what they want.

On the contrary, for the Western countries, business deal and investment are not and should not be included in the definition of ODA.⁵⁶ For the Western aid donors, concessionality has been a trademark of foreign aid.⁵⁷ Conditionality is another trademark of Western aid to counter corruption and to seek good governance in the aid recipient countries.⁵⁸ Following the concessionality and conditionality, selectivity is the third trademark of OECD-DAC's foreign aid to ensure the promotion of good governance and reforms.⁵⁹

In general, Thomas Lum sums up the differences between China's foreign aid in the SSA and OECD-DAC's ODA in five aspects.⁶⁰ First, China's foreign aid projects are mostly financed by the Export-Import Bank of China, instead of a development agency. In contrast, DAC's donor countries' aid is financed by designated aid agencies. Second, China's foreign aid projects are strongly link to the donor country's economics whereas DAC's ODA exclude economic activities. Third, China accepts payment in kind, so that recipient countries can use goods or services as payment instead of cash. However, the DAC donors do not take payment in kind as repayments. Fourth, China's foreign aid

⁵⁶ Deborah Bräutigam, "China in Africa: What can Western Donors Learn," *Norwegian Investment Fund for Developing Countries* (2011), pp. 3.

⁵⁷ William Hynes and Simon Scott. "The Evolution of Official Development Assistance: Achievements, Criticisms and a Way Forward," *OECD Development Co-operation Working Papers*, No. 12, OECD Publishing, 2013. <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/Evolution%20of%20ODA.pdf>

⁵⁸ Tristan Zajonc and Doug Johnson, "Can Foreign Aid Create an Incentive for Good Governance? Evidence from the Millennium Challenge," *CID Working Papers* No. 11, Center for International Development at Harvard University, February, 24, 2006, https://www.hks.harvard.edu/sites/default/files/centers/cid/files/publications/fellow_graduate_student_working_papers/011-2.pdf

⁵⁹ Margaret Dennis, "A New Approach to Foreign Aid: A Case Study of the Millennium Challenge," *Account IIIJ Emerging Scholars Paper* No. 12 (2008), pp. 1-35.

⁶⁰ Thomas Lum, Hannah Fischer, Julissa Gomez-Granger, and Anne Leland, "China's Foreign Aid Activities in Africa, Latin America and Southeast Asia," *CRS Reports for Congress* No. R40361, February 25, 2009.

includes both ODA and OOF, whereas DAC's foreign aid are mostly defined by ODA.

In fact, China's definition of foreign aid goes beyond the scope of OECD-DAC's ODA. In the first ministerial-level Regulation of the administration of Chinese aid, "Measures for the Administration of Foreign Aid" issued by the Ministry of Commerce of the People's Republic of China (MOFCOM) on November 15, 2014, China defines foreign aid as "activities of providing economic, technical, material, human resource and administrative support to recipient countries, supported by the Chinese government's financial resources (aid funds) for foreign aid."⁶¹ The Measure declares that the recipients of Chinese aid are mainly developing countries that have established diplomatic relations with China. Furthermore, China's foreign aid finance contains grants, interest-free loans and concessional loans.⁶² The grants are applied for social development and humanitarian assistance. Interest-free loans are mainly used for public infrastructure, industrial and agricultural production. Concessional loans are mainly used for productive projects with economic benefits, large-scale infrastructure construction, complete sets of projects, complete sets of equipment, and provision of large amount of mechanical and electronic products. In short, China's foreign aid is not limited to ODA, but contains both ODA and OOF and even export credits for commerce promotion as displayed in Figure 1-1.

⁶¹Since there is no unified and overall consistent English translation of Chinese sources (including books, periodicals, websites and official documents), the cited Chinese sources in this dissertation would not be translated into English in order to avoid confusion and ambiguity. They will be cited in Chinese language. See 商務部條約法律司，〈對外援助管理辦法（試行）〉，《中華人民共和國商務部》，6月26日2015年，<http://tfs.mofcom.gov.cn/article/ghlt/a/201506/20150601024062.shtml>

⁶² *Ibid.*

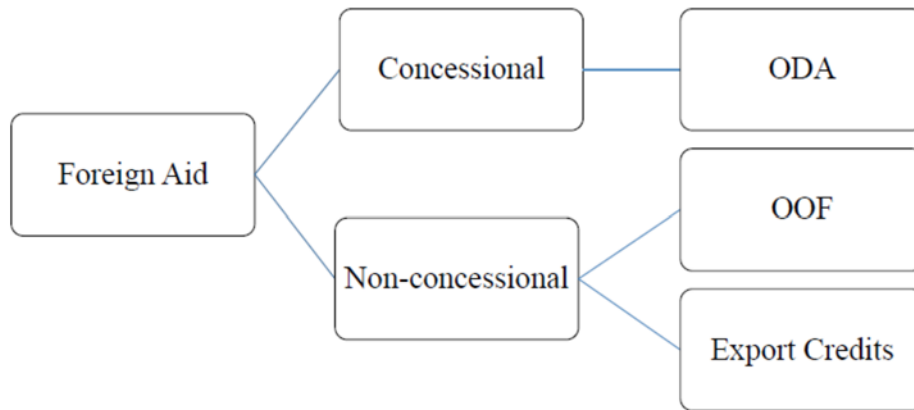


Figure 1-1: China's Foreign Aid
Source: Composed by the Author

1.1.5 China is a Controversial Aid Provider

For many Western policy makers, it seems morally wrong to mix commercial activities with foreign aid. Ambassador Johnnie Carson, the US Assistant Secretary of State for African Affairs describes China as a very aggressive and malicious economic competitor with no morals. He said that “China is not in Africa for altruistic reasons. China is in Africa primarily for China.”⁶³ Similar to Carson, many have tried to warn the Africans that China's aid is not altruistic, but exploitative and predatory, as if African people were so naïve and ignorant about their own interests when arranging cooperation with China.

In this context, China's foreign aid has become a lightning rod for criticism in recent years. Scholars and commentators are claiming that China is threatening the interests of international community by exploiting Sub-Saharan Africa's natural resources, supporting corrupted autocrats, increasing the debt stress among developing countries, practicing neo-colonial agenda, and hindering the spread of good governance via China's opaque finance of aid. Moreover, Western political leaders are keen to

⁶³ “Wikileaks: US monitors ‘Aggressive’ China in Africa,” *The BBC*, Last modified December 9, 2010, <http://www.bbc.com/news/world-africa-11955516> accessed Feb. 9 2018

rhetorically tag labels on the patterns of Chinese aid implementation. The U.S. Secretary of State Hillary Clinton warned the African people that they have to be aware of the new colonialism when she visited Zambia in 2011.⁶⁴ The U.S. Secretary of State Rex Tillerson criticized China's approach to Africa is not only opaque, but contains "predatory loan practices," making the sovereignty of African states at risks.⁶⁵ In 2018, the U.S. Vice President Mike Pence stated that China is using "predatory economic practices" to undermine the American interests.⁶⁶ The U.S. National Security Advisor John R. Bolton unveiled the Trump administration's "New Africa Strategy" on December 13, 2018 at the *Heritage Foundation*.⁶⁷ In the announcement, Bolton claimed that China's "predatory practices," "opaque agreements," and "strategic use of debt" have held states in Africa captive to Beijing's wishes and demands, threatened the financial independence of African nations, inhibited the opportunities for the U.S. investment and posed a significant threat to U.S. national security interests.⁶⁸

Conversely, there are also rebuttals claiming that China is a helpful partner to the developing countries, especially in the African region. Deborah Brautigam, a world renowned Professor at Johns Hopkins University is one of the leading advocates for the dragon's gift to Africa.⁶⁹ Brautigam argues that Africans have benefited from the

⁶⁴ Reuters Staff, "Clinton Warns against 'New Colonialism' in Africa," *Reuters*, June, 11, 2011. <https://www.reuters.com/article/us-clinton-africa/clinton-warns-against-new-colonialism-in-africa-idUSTRE75A0RI20110611>.

⁶⁵ Aaron Maasho, "Africa Should Avoid Forfeiting Sovereignty to China over Loans: Tillerson," *Reuters*, March 8, 2018, <https://www.reuters.com/article/us-usa-africa/africa-should-avoid-forfeiting-sovereignty-to-china-over-loans-tillerson-idUSKCN1GK114>

⁶⁶ Nicole Gaouette, Elise Labott, James Griffiths and Ben Westcott, "Pence Attacks China on 'Predatory' Trade, 'Coercion' and Military 'Aggression,'" *CNN*, October 4, 2018, <https://edition.cnn.com/2018/10/04/politics/pence-china-trump-intl/index.html>

⁶⁷ John R. Bolton, "Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration's New Africa Strategy," *The White House* December 13, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-national-security-advisor-ambassador-john-r-bolton-trump-administrations-new-africa-strategy/>

⁶⁸ *Ibid.*

⁶⁹ Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford University Press, 2009)

Chinese aid and investment.⁷⁰ When a lot of Western aid donors only see poverty, corruption and a crisis for human rights, China sees a future in Africa and wants to invest on this Continent. Sanusha Naidu, a senior research associate at the Institute for Global Dialogue, South Africa, finds China an alternative partner to the International Monetary Fund (IMF) and the World Bank (WB).⁷¹ Naidu deems that in contrast to the traditional donors, China shows the same respect, equality, and mutual benefits to the African states whether they are rich or poor, big or small. Similarly, in an interview conducted in 2017, the Rwandan Ambassador to China, Charles Kayonga expressed that the Chinese model is more suitable for Africans and he appreciates China's development and continuous social stability.⁷² Senegalese President Abdoulaye Wade states that China's approach is simply better adapted than the slow and sometimes superior approach of European investors, donor organizations and non-governmental organizations.⁷³ In contrast to the DAC donors, China does not impose political conditions when signing the contract.⁷⁴ Meles Zenawi, the then Prime Minister of Ethiopia said that one of the main reasons for Africa begins to do well economically is because of China.⁷⁵ Zenawi claimed that the West has wasted the SSA decades of development and this will not happen again with China.⁷⁶ During a meeting with Mukhisa Kitu-yi, the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) in 2018, Namibian President Hage Geingob said that

⁷⁰ *Ibid.*

⁷¹ Sanusha Naidu, "The Forum on China-Africa Cooperation (FOCAC): What does the Future Hold?" *China Report*, Vol. 43, No. 3, (2007), p. 290.

⁷² Liu Jianxi, "Chinese Model More Suitable for Africa: Envoy," *Ministry of Foreign Affairs, the People's Republic of China* May 3, 2017, <http://www.focac.org/eng/zxxx/t1458133.htm>

⁷³ Abdoulaye Wade, "Time for the West to Practice What it Preaches," *The Financial Times*, January 24, 2008, <https://www.ft.com/content/5d347f88-c897-11dc-94a6-0000779fd2ac>

⁷⁴ *Ibid.*

⁷⁵ Axel Dreher, Andreas Fuchs, Bradley Parks, Austin Strange, Michael Tierney, "Aid, China, and Growth: Evidence from a New Global Development Finance Dataset" *Working Paper 46 AIDDATA* (2017), pp. 1-65. http://docs.aiddata.org/ad4/pdfs/WPS46_Aid_China_and_Growth.pdf

⁷⁶ The Economist, "Ethiopia and China: Looking east," *The Economist Newspaper Limited*, October 21, 2010 <https://www.economist.com/middle-east-and-africa/2010/10/21/looking-east>

infrastructure development is most needed in Africa and therefore the entire Continent should not be judged when seeking funding from the Chinese aid.⁷⁷

In short, the discussion of China's aid to the SSA seems to be led to a polarized opposition. On the one hand, there is a phenomenon of Sino-pessimism, noticing only on the negative aspects of China's foreign aid behaviors. On the other hand, there is a counter argument of Sino-optimism, focusing mainly on the positive sides.

1.2 Literature Review

The existing literatures of China's foreign aid activities in the SSA can be categorized into two major areas dealing with China's incentives of aid and the impact of China's aid. A majority of literatures tend to investigate China's aid behaviors from a realist lens suggesting that China is taking advantages at the expense of African people and the Sino-Africa cooperation is heading toward a win-lose relationship. However, there are also counter arguments suggesting that China's foreign aid projects bring positive results to the African people, especially in the field of infrastructure and economic development. Overall speaking, the negative literature tend to highlight the political influence and strategic interests of China while the positive literature sheds light on the economic development and infrastructure benefits of Chinese aid.

1.2.1 The Incentives of Chinese Aid

There have been numerous studies dealing with incentives of Chinese aid in the SSA. In total, there are three assumptions including the extraction of oil, minerals and natural resources, the intention to take over the African markets for Chinese goods, and

⁷⁷ Namibian Broadcasting Corporation, "Don't Judge Africa for Seeking Funding from China - President Geingob," *Namibian Broadcasting Corporation*, October 23, 2018, <https://www.nbc.na/news/dont-judge-africa-seeking-funding-china-president-geingob.19275>

the extension of China's political influence in the recipient countries.

Extraction of oil, minerals and natural resources

The insatiable extraction of Africa's oil, minerals and natural resources is the most widespread theme discussed in the subject of China's incentive. China is estimated to have accounted 40% to 50% of global demand for mineral commodities during the past three decades.⁷⁸ To secure the supplies, China has become the leading importer of many raw materials on the global market and an important investor in global mining assets. In 2014, the mining and manufacturing industry was accounted for 35.9% of China's total Gross Domestic Product (GDP), which was about US\$ 10.3 trillion.⁷⁹ In 2014, the total value of imported goods was US\$1.96 trillion, which was the highest number among the past five years⁸⁰ and the value of the mineral product imports accounted for 23% of the total.⁸¹ Since the country's demand for energy, metals, and minerals is not only strong, but outskirts the domestic supply, China is currently a net importer for a number of strategic minerals such as Aluminum, Bauxite, Alumina, zinc, Lead, etc.⁸²

Besides minerals, oil is another important source of energy that China is highly depending on import. Some scholars argue that oil is the primary targets for China to come to Africa.⁸³ It is alleged that the Chinese infrastructures are established for the

⁷⁸ Sean Sean Xun, "The Mineral Industry of China," *Minerals Yearbook* USGS, United States Geological Survey, 2014, <https://minerals.usgs.gov/minerals/pubs/country/2014/myb3-2014-ch.pdf>

⁷⁹ *Ibid.*

⁸⁰ 2017: US\$ 1.8 trillion, 2016: US\$ 1.6 trillion, 2015: US\$ 1.7 trillion, 2014: US\$ 1.96 trillion, 2013: US\$ 1.94 trillion See Statista, "China: import of goods from 2007 to 2017," *Statista*, <https://www.statista.com/statistics/263646/import-of-goods-to-china/>

⁸¹ Sean Sean Xun, "The Mineral Industry of China"

⁸² *Ibid.* Imports from Asia accounted for 55% of total imports; Europe, 17%; North America, 9%; and Africa, Oceania and Pacific Islands, and South America, 6% each. The percentage share of imports from these areas remained unchanged from that of 2013. See Sean Xun, "The Mineral Industry of China," *2014 Minerals Yearbook*, p. 8.

⁸³ Ian Taylor, "China's Oil Diplomacy in Africa" *International Affairs*, Vol. 82 No. 5 (2006), pp. 937-959; Chris Alden, "Red Star, Black Gold," *Review of African Political Economy*, Vol. 32, No. 104

Chinese enterprises (both state-owned and private) to access raw oil, to export these resources and to import cheap Chinese goods for sale in African markets and these development finances only aim at resource-rich countries in Africa.⁸⁴ Hence, there is no distinction between the Western powers and China with respect to foreign aid to the SSA. Both of them have been pushed by the competition of raw materials, desiring to import copper, nickel, timber, petroleum and other raw materials from Africa.⁸⁵ African countries have again turned into the suppliers of raw materials in the Sino-Africa relations.

Taking over the African market

Taking advantages on the African market is expected to be another incentive pushing China to finance development programs and to build infrastructures in Africa. The Chinese are similar to the Europeans in the colonial era to build roads and bridges for the increase of Chinese exports to Africa.⁸⁶ Margaret C. Lee states that Chinese enterprises are exploiting African goods and people in the name of capitalism.⁸⁷ With the established roads, railway and communication channels, cheap Chinese commodities can be easily transported and distributed to the entire Continent, taking over the African markets.⁸⁸

(2005), pp. 415-419; Stephanie Hanson, "China, Africa and Oil," *Council on Foreign Relations Report*, June 6, 2008, <http://www.marshallfoundation.org/documents/ChinaAfricaEnergy.pdf>.

⁸⁴ Robert I. Rotberg, *China into Africa: Trade, Aid, and Influence* (Cambridge: Brookings Institution Press, 2008), p. 73; Ana Maria Gomes, "On China's Policy and Its Effects on Africa," *Committee on Development, European Parliament* March 28, 2008 <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A6-2008-0080+0+DOC+XML+V0//EN&language=en>

⁸⁵ Joshua Kurlantzick, *Charm offensive: How China's soft power is transforming the world* (Yale University Press, 2007), p. 34.

⁸⁶ Osman Antwi-Boateng, "New World Order Neo-Colonialism: A Contextual Comparison of Contemporary China and European Colonization in Africa," *Africology: The Journal of Pan African Studies*, Vol. 10, No. 2 (2017), p. 182.

⁸⁷ Margaret C. Lee, "The 21st Century Scramble for Africa," *Journal of Contemporary African Studies*, Vol. 24, No. 3 (2006), p. 303.

⁸⁸ *Ibid.*

Since African industrial products cannot compete with the overwhelming Chinese goods in terms of volume, cheap price and quality, Chinese exports to Africa would have a crowding-out effect to the African products. Callisto Enias Madavo, Regional Vice President for the Africa Region at World Bank, notes that the main exported commodities from China are textiles, apparel and footwear, accounting 36% of the total Chinese exports to Africa.⁸⁹ Due to the fact that African textile factories cannot compete with the cheap Chinese textile imports, local factories are forced to close and workers have become unemployed.⁹⁰ Giorgia Giovannetti and Marco Sanfilippo have similar findings about the “crowding-out effects.”⁹¹ Since the entry into World Trade Organization (WTO), China has intensified its low-cost and low-tech manufacture supply in labor-intensive sectors.⁹² With the fact that most African countries have yet to develop well-established manufacturing sector, it is a vulnerable situation for African sectors to compete with the influx of Chinese products and the growth of Chinese exports in manufactures of textiles, apparel and footwear has corresponded to a decrease in African exports for the same products.⁹³ To sum up, Chinese exports have a negative sign for the African exports and for the manufacturing sector.

Extending China’s political influence

The incentive for China to provide aid is to increase Chinese influence in the recipient country.⁹⁴ David Lampton argues that Beijing is able to dictate political favors

⁸⁹ Callisto Enias Madavo, “China and Africa: Opportunities, Challenges and Forging a Way Forward,” *Journal of the Washington Institute of China Studies*, Vol. 2, No. 3 (2007), pp. 1-13.

⁹⁰ *Ibid.*

⁹¹ Giorgia Giovannetti and Marco Sanfilippo, “Do Chinese Exports Crowd-out African Goods? An Econometric Analysis by Country and Sector” in Henson S., and Yap O.F. eds *The Power of the Chinese Dragon*. (London: Palgrave Macmillan, 2016), p. 14.

⁹² *Ibid.* p. 14.

⁹³ *Ibid.* p. 34.

⁹⁴ Jonathan Kirshner, “The Consequences of China’s Economic Rise for Sino-U.S. Relations: Rivalry, Political Conflict, and (Not) War,” in Ross and Zhu, eds., *China’s Ascent: Power, Security, and the Future of International Relations* (Ithaca, NY: Cornell Press, 2008); David M. Lampton, *The Three Faces of Chinese Power: Might, Money, and Minds* (Berkeley, CA: University of California Press,

from Africa via investment and foreign assistance.⁹⁵ In addition, by owing a lot of debts to China, African countries are likely to support China's foreign policy goals in exchange for debt forgiveness and more grants and loans.⁹⁶ Furthermore, China understands the "one state-one vote principle" and is able to influence the voting behaviors of Africa states in the United Nations General Assembly (UNGA) or other international organizations.⁹⁷ Georg Strüver suggests that China is using foreign aid to buy support in the UNGA.⁹⁸ More importantly, China is assumed to be able to influence political elites in the recipient country. China's increasing political influence and its authoritarian style are assumed to be disruptive to the liberal democracy. Global Public Policy Institute, an independent non-profit think tank based in Berlin published a report in 2018 suggesting China has expanded its political influence on European political and economic elites via investment, trade and diplomatic relations and Africa is no exception.⁹⁹

Evan Feigenbaum suggests that Beijing is using foreign aid for political and

2008)

⁹⁵ David M. Lampton, *The Three Faces of Chinese Power: Might, Money, and Minds*.

⁹⁶ Sam Parker and Gabrielle Chefetz, "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy," *The Harvard Kennedy School's Belfer Center* (March 2018), p. 8,

<https://www.belfercenter.org/sites/default/files/files/publication/Debtbook%20Diplomacy%20PDF.pdf>;

Yun Sun, Julius Agbor and Jessica Smith, "China's New Leadership and Sino-Africa Relations," in *Foresight Africa: Top Priorities for the Continent in 2013 The Brookings Institution*

https://www.brookings.edu/wp-content/uploads/2016/06/Foresight_Sun_2013.pdf; Barry Sautman and Hairong Yan, "Friends and Interests: China's Distinctive Links with Africa," *African Studies Review*, Vol. 50 No. 3 (2007), p. 87.

⁹⁷ Georg Strüver, "What Friends are Made of: Bilateral Linkages and Domestic Drivers of Foreign Policy Alignment with China," *Foreign Policy Analysis*, Vol. 12 No. 2 (2016), pp. 170-191; A. Dreher, A. Fuchs, B. Parks, A. Strange, and M. J. Tierney, "Aid, China, and Growth: Evidence from a New Global Development Finance Dataset," *AidData Working Paper* No. 46. (Williamsburg, VA: AidData, 2017), <https://www.aiddata.org/publications/aid-china-and-growth-evidence-from-a-new-global-development-finance-dataset>

⁹⁸ Georg Strüver, "What Friends are Made of: Bilateral Linkages and Domestic Drivers of Foreign Policy Alignment with China."

⁹⁹ Thorsten Benner, Jan Gaspers, Mareike Ohlberg, Lucrezia Poggetti and Kristin Shi-Kupfer, "Authoritarian Advance: Responding to China's Growing Political Influence in Europe," *Global Public Policy Institute and Mercator Institute for China Studies* (2018), pp. 1-51, https://www.merics.org/sites/default/files/2018-2/GPPI_MERICS_Authoritarian_Advance_2018_1.pdf

strategic ends.¹⁰⁰ In addition, Beijing is using these economic toolkits coercively to achieve its strategic ends of securing energy supplies, increasing power projection capabilities, challenging the U.S.-led international order, and displacing the U.S. as a regional hegemon.¹⁰¹ U.S. Colonel Douglas W. Winton notes that China is using aid, trade and investment to to achieve specific domestic economic and political objectives such as to increase China's influence in Africa, to boost an image of a global power, to peacefully adjust the international order, to obtain energy resources and African votes in international organizations.¹⁰²

Chinese neo-colonialism

Follow up to the drivers of mineral, oil and resource extraction, China is considered similar to the former European power, practicing the agenda of neo-colonialism in Africa.¹⁰³ The Chinese ambition and practice of neo-colonialism is the most controversial explanation of China's foreign aid incentive.¹⁰⁴ In the U.S. Congress hearing held in 2018, Gordon Chang, the author of "Coming Collapse of China" concludes that China is practicing a new form of colonialism.¹⁰⁵ Chang asserts that China wants to be the commanding voice of the developing world and the Chinese

¹⁰⁰ Evan A. Feigenbaum, "Is Coercion the New Normal in China's Economic Statecraft?" *Carnegie Endowment for International Peace*, July 25, 2017 <http://carnegieendowment.org/2017/07/25/is-coercion-new-normal-in-china-s-economic-statecraft-pub-72632>

¹⁰¹ *Ibid.*

¹⁰² *Ibid.* pp. 15-16.

¹⁰³ Pádraig Carmody, *The New Scramble for Africa* (Cambridge: Polity Press, 2011); Xiaochen Su, "Why Chinese Infrastructure Loans in Africa Represent a Brand-New Type of Neocolonialism," *The Diplomat*, June 9 2017 <https://thediplomat.com/2017/06/why-chinese-infrastructure-loans-in-africa-represent-a-brand-new-type-of-neocolonialism/>

¹⁰⁴ Emmanuel Igbinoba, "China, Africa's New Colonial Master?" *Global Journal of Management and Business Research*, Vol. 16 No. 5 (2016), pp. 46-55; Kathleen Caulderwood, "China Is Africa's New Colonial Overlord," *International business Times*, February 18, 2014 <https://www.ibtimes.com/china-africas-new-colonial-overlord-says-famed-primate-researcher-jane-goodall-1556312>; Brook Larmer, "Is China the World's New Colonial Power?" *New York Times*, May 2, 2017 <https://www.nytimes.com/2017/05/02/magazine/is-china-the-worlds-new-colonial-power.html>

¹⁰⁵ U.S. Congress, Senate, Committee on Foreign Affairs, *China in Africa: The New Colonialism?* 115th Cong., 2st sess., (2018), p. 7.

concept of “tian-xia” (all under heaven) is a reflection of the desire of Chinese domination.¹⁰⁶

1.2.2 The Impact of Chinese Aid in the SSA

There is a considerable research investigating on the impact of China’s aid behaviors in the SSA. There are three key assumptions. First, China’s foreign aid is sabotaging the promotion of democracy and good governance in the SSA. Second, China’s is setting up debt traps for the extension of Chinese influence over the African recipient countries. Third, China’s aid behaviors are posing a threat to the DAC countries and their efforts.

Undermining the spread of democracy and good governance

China’s aid activities have been accused of undermining democratic promotion and good governance by supporting rogue states, assisting undemocratic and corrupted governments and propping up dictators for the exchange of natural resources and minerals.¹⁰⁷ Moisés Naím considers that the Chinese are motivated by a desire to further their own national interests, advance the authoritarian ideology and they couldn’t care less about the long-term well-being of the population of the countries they aid.¹⁰⁸ If China continues to succeed in pushing Chinese model of aid, they will

¹⁰⁶ *Ibid.*

¹⁰⁷ Joshua Kurlantzick, *Charm Offensive: How China’s Soft Power is Transforming the World*, p. 223; Julia Bader, “Propping Up Dictators? Economic Cooperation from China and Its Impact on Authoritarian Persistence in Party and Non-Party Regimes,” *European Journal of Political Research*, Vol. 54, No. 4 (2015), pp. 655-672; Stefan Halper, *The Beijing Consensus: How China’s Authoritarian Model Will Dominate the Twenty-First Century* (New York: Basic Books, 2010); Denis Tull, “China’s Engagement in Africa: Scope, Significance and Consequences,” *Journal of Modern African Studies*, Vol. 44 No. 3 (2006), pp. 459-479; Indra De Soysa and Paul Midford, “Enter The Dragon! An Empirical Analysis of Chinese versus US Arms Transfers to Autocrats and Violators of Human Rights, 1989-2006,” *International Studies Quarterly*, Vol. 56 No. 4 (2012), pp. 843-856.

¹⁰⁸ Moisés Naím, “Rogue Aid,” *Foreign Policy*, No. 159, (2007), pp. 95-96.

succeed in underwriting a world that is more corrupt, chaotic and authoritarian.¹⁰⁹ In contrast to the conventional Western aid, which gives conditionality for democracy promotion and corruption reduction, China offers loans and grants with little or no strings attached.¹¹⁰ It pays little attention to the negative externalities engendered from its investment spending and it does not require the recipient country to take any measures to promote “good governance.”¹¹¹ It is also assumed that China’s foreign aid and investment in Africa is contributing to the democratic recession, because it aims to intensify the relations with governments of similar regime type. Consequently, the unconditioned Chinese foreign aid is helping the incumbent leaders of authoritarian states to counterbalance the pressure of democratization.¹¹²

China’s debt traps

China has also been accused of increasing Africa’s debt burden via debt trap and predatory loans for strategic leverage.¹¹³ It is said that China extends billions of dollars in loans to developing countries for construction and infrastructure and deliberately leverage huge overseas lending, which cannot be paid back in exchange of strategic assets or political influence over the debtor nations.¹¹⁴ Kiel Institute for the World

¹⁰⁹ *Ibid.*

¹¹⁰ T. Lum, H. Fischer, J. Gomez-Granger, and A. Leland, “China’s Foreign Aid Activities in Africa, Latin America, and Southeast Asia,” *Congressional Research Services Report* (2009), <https://fas.org/sgp/crs/row/R40361.pdf>; Eric Gabin Kilama, “The Influence of China and Emerging Donors Aid Allocation: A Recipient Perspective,” *China Economic Review*, No. 38 (2016), pp. 76-77; Steve Hess and Richard Aidoo, “Beyond the Rhetoric: Noninterference in China’s African Policy,” *African and Asian Studies*, No. 9 (2010), pp. 358-363.

¹¹¹ Ian Taylor, “China’s Oil Diplomacy in Africa,” p. 946.

¹¹² Steve Hess, “Chinese Leverage and Democratic Backsliding in Sub-Saharan Africa,” *Transylvania University*, <https://wpsa.research.pdx.edu/papers/docs/0%20-%20Chinese%20Leverage%20and%20Democratic%20Backsliding%20in%20SSA.pdf>

¹¹³ Sam Parker and Gabrielle Chefetz, “Debtbook Diplomacy: China’s Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy”; Alan Beattie and Eoin Callan, “China Lends Where the World Bank Fears to Tread,” *Financial Times*, December 8, 2006, p. 6, <https://www.csjxx.com/story/001008349/ce>; World Bank, *IDA Countries and Non-Concessional Debt: Dealing with the Free-Rider Problem in IDA14 Grant-Recipient and Post-MDRI countries* (World Bank: Washington DC, 2006)

¹¹⁴ *Ibid.*

Economy, a German Think-Tank, suggests that China's overseas lending was amounted US\$ 500 billion in 2000, and increased to US\$ 5 trillion in 2019.¹¹⁵ As a result, China is the world's largest creditor, being twice as large as both the World Bank and the International Monetary Fund, combined.¹¹⁶ With a gigantic amount of overseas lending, Sam Parker and Gabrielle Chefitz consider China is using recipients' debt as a tool to extend Chinese influence over other nations.¹¹⁷

Threatening the interests of the DAC countries

China is seen as a rival to the DAC member countries, because it is accused of undermining DAC efforts of better governance and policy reforms in the recipient countries, decreasing the effectiveness of aid, lowering standards and increasing debt burdens.¹¹⁸ To many Westerners, the rise of China in Africa seems like a challenge to the methods and approaches from the traditional donors and conventional ODA providers. Joshua Meservey, a senior policy analyst from the Heritage Foundation also considers that it is difficult for the U.S. to work with China in Africa because the models are fundamentally at odds.¹¹⁹ China's presence will cut out the opportunities for other countries' companies to develop. In Meservey's analysis, the military base in Djibouti, the 76 Confucius Institutes and classrooms in 38 African countries, Chinese medical teams and training classes for African politicians are all threats to the interests of DAC countries.

¹¹⁵ Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending," *KIEL Working Paper*, No. 2132 (2019), https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/Ifw-Publications/Christoph_Trebesch/KWP_2132.pdf

¹¹⁶ *Ibid.*

¹¹⁷ Sam Parker and Gabrielle Chefitz, "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy," pp. 3-4.

¹¹⁸ Chris Alden, "Red Star, Black Gold," *Review of African Political Economy*, Vol. 32, No. 104 (2005), pp. 415-419; Ngaire Woods, "Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance," *International Affairs*, Vol. 84 No. 6 (2008), pp. 1205-1221; Moises Naim, "Rogue aid."

¹¹⁹ U.S. Congress, Senate, Committee on Foreign Affairs, "China in Africa: The New Colonialism?"

1.2.3 The Positive Literature of Chinese Aid

There are also positive reviews of China's foreign aid behaviors and many of the Chinese advocators are scholars from the African countries. Overall speaking, those who view the positive sides of Chinese aid is because of the economic interests.

China is not a neo-colonial power

Neo-colonial relations are relations of domination, control, manipulations, and mistrust. Professor Tukumbi Lumumba-Kasongo suggests that there is no tangible evidence proving that China has the intention to control Africa politically or that China has a hidden agenda to divide some African territoriality for its political gains.¹²⁰ Similarly, Osman Antwi-Boateng, a professor from the United Arab Emirates University suggests that China is not interested in political and administrative control of African countries as the Europeans did in the past.¹²¹ China values the idea of equal relationship and does not view Africa as the extension of Chinese territory and the "One China Policy" does not include Africa.¹²² Ian Taylor casts doubts on the assumption that China is seeking to gain hegemony in Southern Africa.¹²³ Since one of China's aims is to combat hegemony, it would be self-contradictory if China is becoming a colonial power in Africa.¹²⁴

China is a more productive partner for the SSA

Thompson Ayodele and Olusegun Sotola argue that China is a more desirable

¹²⁰ Tukumbi Lumumba-Kasongo, "China-Africa Relations: A Neo-Imperialism or a Neo-Colonialism? A Reflection," *African and Asian Studies*, Vol. 10 No. 2-3 (2011), p. 259.

¹²¹ Osman Antwi-Boateng, "New World Order Neo-Colonialism: A Contextual Comparison of Contemporary China and European Colonization in Africa," p.186.

¹²² *Ibid.*

¹²³ Ian Taylor, *China and Africa: Engagement and Compromise* (New York: Routledge, 2006), p. 9.

¹²⁴ *Ibid.*

partner than the Western countries.¹²⁵ China does not impose political conditions on African governments when signing the contracts.¹²⁶ Chinese enterprises are willing to invest the places where the Western companies are unwilling to go.¹²⁷ Physical infrastructure, industry and agriculture are the sectors that the Western companies and aid agencies are reluctant to be involved. Thompson Ayodele, the Director of Initiative for Public Policy Analysis in Nigeria said that the United States Agency for International Development (USAID) has not funded major infrastructure projects in Africa since the late 1970s.¹²⁸ Moreover, for most of the African countries, China is seen as a more viable partner that Africans can relate to because of the similarities of socio-economic condition and development issues.¹²⁹ Sanusha Naidu and Martyn Davies consider that China's state-directed model of development is an appealing alternative to African people when the neo-liberal economic reforms and DAC's ODA have not been successful.¹³⁰

China's aid delivers cooperation, not exploitation

Motolani Agbebi and Petri Virtanen argue that the China-Africa trading relationship via aid projects is a practical example of South-South Cooperation (SSC), rather than an asymmetrical exploitation.¹³¹ Paulos Milkias notes that the Sino-Africa relations are not zero-sum games, but South-South Cooperation which dates back to

¹²⁵ Thompson Ayodele and Olusegun Sotola, "China in Africa: An Evaluation of Chinese Investment," *IPPA Working Paper Series* (2014)

http://www.ippanigeria.org/articles/China%20Africa%20relation_Workingpaper_final.pdf

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*

¹²⁸ Thompson Ayodele, "Misconceptions about China's Interest in Africa," *Georgetown Journal of International Affairs*, October 20, 2015

<https://www.georgetownjournalofinternationalaffairs.org/online-edition/misconceptions-about-chinas-interest-in-africa>

¹²⁹ *Ibid.*

¹³⁰ Sanusha Naidu and Martyn Davies, "China Fuels its Future with Africa's Riches," *South African Journal of International Affairs*, Vol. 13 No. 2 (2006), pp. 69–83.

¹³¹ Motolani Agbebi and Petri Virtanen, "Dependency Theory – A Conceptual Lens to Understand China's Presence in Africa?" *Forum for Development Studies*, Vol. 44. No. 3 (2017), pp. 429-451.

the 1955 Bandung Conference of the non-aligned nations.¹³² Both African countries and China are building a new economic relationship different from that with the West.¹³³ Africans do not want to receive ODA with the imposed condition. Instead, they want to do trade as well. Milkias suggests that scholarships should work on the assumption that the Sino-Africa relationship is mutually beneficial rather than being exploitative.¹³⁴

Boosting African's economic development

Piet Konings, an honorary researcher from the African Studies Centre Leiden finds that China's demand for the Africa's minerals has helped in reversing the declined economics in the SSA.¹³⁵ Piet Konings notes that China is willing to invest in a place that the Western companies might consider too risky and unstable. In the case of Nigeria, the oil export industry is beneficial to Nigeria's economy and there are adding values of technology transfer in the oil cooperation deal between Nigeria and China.¹³⁶ Likewise, Vivien Foster, the Chief Economist of the World Bank states that the interests between the SSA and China are complementary, because one needs infrastructure development and another one needs raw materials for domestic development.¹³⁷ Foster notes that Africans are in favor of China's "oil-backed" investment, because it has a nature of commercial exchange.¹³⁸ In this way, African countries would not have to worry about paying back the loans and the unbearable debt burden and this kind of

¹³² Paulos Milkias, "China and Post-Millennium African Economic Development Strategy as a Non-Zero-Sum-Game," *International Journal of African Development*, Vol. 4 No. 1 (2016), p. 31.

¹³³ *Ibid.*

¹³⁴ *Ibid.*

¹³⁵ Piet Konings, "China and Africa: Building a Strategic Partnership," *Journal of Developing Societies*, Vol. 23 No.3 (2007), p. 354.

¹³⁶ *Ibid.*

¹³⁷ Vivien Foster, William Butterfield, Chuan Chen, and Nataliya Pushak, "Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa," *Trends and Policy Options*, No. 5 (Washington DC: The World Bank, 2009), pp. xv.

¹³⁸ *Ibid.*

payment in kind repayment is beneficial to the recipient country's economics.¹³⁹

Complementarity outweighs confrontation between China and the U.S. in SSA

Senior policy analysts at the RAND Corporation, Larry Hanauer and Lyle J. Morris point out that there is no conflict between China and the U.S.' interests in the SSA, because China emphasizes more on infrastructure development, manufacturing and natural resources, whereas the U.S. concentrates on higher-technology trade and services as well as aid policies aimed at promoting democracy, good governance, and human development.¹⁴⁰ They deem that China's presence in the SSA does not fundamentally undermine the U.S.' economic and political goals on the Continent.¹⁴¹ In contrast, Chinese infrastructures can reduce the operating cost of the American companies and to increase the opportunities of joint ventures of American and African merchants.¹⁴² Miwa Hirono, associate Professor at the Ritsumeikan University and Shogo Suzuki, a senior lecturer from University of Manchester explain that the assumption of China threat exists in the literature of Sino-Africa relations is in line with the West's own deep seated anxieties about the rise of non-Western powers.¹⁴³ Because of this anxiety, the West tends to study China only from a security and national interests perspective.¹⁴⁴ Miwa Hirono and Shogo Suzuki consider that this constructed China threat could prevent Western scholars to have a broader picture of Sino-African relations and overlook the opportunities of cooperation.

¹³⁹ *Ibid.*

¹⁴⁰ Larry Hanauer and Lyle J. Morris, "Chinese Engagement in Africa," *RAND Corporation*, 2014, https://www.rand.org/pubs/research_reports/RR521.html

¹⁴¹ *Ibid.*

¹⁴² *Ibid.*

¹⁴³ Miwa Hirono and Shogo Suzuki "Why Do We Need 'Myth-Busting' in the Study of Sino-African Relations?" *Journal of Contemporary China*, Vol. 23 No. 87 (2014), pp. 443-461.

¹⁴⁴ *Ibid.*

1.2.4 Evaluation and Research Questions

A substantial number of studies tend to investigate China's incentives of promoting foreign aid projects in the SSA and its impact from a zero-sum approach of realism. Critics either express a pessimistic view of China's aid behaviors in the SSA at the expense of Africans or an optimistic view on the positive results generated from China's aid projects. However, few studies has investigated on the pattern of Chinese aid in the SSA. Besides the strategic interpretation of China's motive of aid and the assumed negative impacts, the reality of China's aid operation seems to be bypassed. To make contribution to the existing literatures of Chinese aid to the SSA, three research questions will be addressed as follows.

Research Question 1: What are the ideational (normative guiding principles) and material (institutional mechanism) structures that influence China's foreign aid behaviors and how can they explain China's foreign aid implementation to the SSA?

Despite a plethora of China's foreign aid discussion, few have investigated the ideational structure of China's foreign aid policy and implementation. That being said, critics are paying insufficient attention to the ways in which China's foreign aid behaviors are socially constructed by the normative guidance of Chinese aid. Furthermore, since China has been providing foreign aid projects to African countries for more than six decades, is there a continuity and change of the ideational structure that direct the objectives of Chinese aid?

In addition, few studies have clearly explained the institutional mechanism of Chinese aid. China's institutional framework of foreign aid administration can be taken

as a material structure that governs the implementation of Chinese aid projects. Which Ministry is in charge of the aid implementation? Which Ministry is responsible for the aid budget planning? Which Ministry is in the driver's seat of China's foreign aid? In addition to the absence of China aid institution studies, few studies have explained the procedures of China's aid deliver patterns. In sum, it is critical to investigate the normative guidance and institutional mechanism of Chinese aid operation.

Research Question 2: Is it rhetoric or reality that China's foreign aid is a form of neo-colonialism in Sub-Saharan Africa?

The assumed neo-colonial agenda of China's foreign aid projects in the SSA was highly referred when critics are trying to figure out the incentive of Chinese aid. From China's insatiable extraction of natural resources to exploiting African markets and the extension of political influence, China's aid behaviors in the SSA has always been a controversial issue with respect to the neo-colonialism.¹⁴⁵ Nevertheless, given that few research has investigated the normative guidance and institutional mechanism of China's aid to the SSA, it is necessary to use data and statistics to reconsider whether the assumed neo-colonial agenda in China's aid projects is rhetoric or reality.

Research Question 3: Is it rhetoric or reality that China's foreign aid is a debt trap in Sub-Saharan Africa?

Among the disputed claims about China's foreign aid behaviors in the SSA, debt trap is the most heated topic in recent years. Commentators are suggesting that China is using predatory loans and overseas lending via foreign aid to trap developing countries with excessive debt and weaken their sovereignty via the debt leverage.

¹⁴⁵ Daniel Wagner, "China and Neocolonialism in Africa," *International Policy Digest*, February 18, 2019, <https://intpolicydigest.org/2019/02/18/china-and-neocolonialism-in-africa/>

Nevertheless, are China's foreign aid projects really debt-traps? Are the Chinese concessional loans aiming at extending China's political influence over the recipient countries? Are the existing research results representing a rhetoric or reality of China's debt traps in the SSA?

1.3 Methodology

In order to be engaged with the normative guidance and institutional mechanism of Chinese aid and find out whether it is rhetoric or reality that China's foreign aid to SSA is a form of Neo-Colonialism and a debt-trap diplomacy, document analysis, historical analysis, comparative analysis and a region case study of the SSA would be applied to deconstruct China's foreign aid.

1.3.1 Document Analysis

Document analysis reviews and investigates public documents, official documents, annual reports, official speech transcripts as well as academic publications and news reports concerning Chinese aid. The goal is to figure out the mechanism, the implementation and the volume of Chinese aid.

1.3.2 Historical Analysis

Scholarly works of China's aid behaviors, public records and accounts would be scrutinized in order to find out the volume, pattern and institution of Chinese aid from the 1950s to 2017. A number of Central Intelligence Agency's declassified data would be used for mapping out China's aid behaviors before the 1990s.

1.3.3 Comparative Analysis

A comparative analysis would be conducted to find out the difference between a single time period in the past and a time period at present or between different foreign aid providers in the SSA. By juxtaposing China and another aid provider in the same time period, we can have a clear view of the situation of Chinese aid. We can also figure out whether China is providing a huge aid to Africa, whether it has competitive advantages over the U.S. in Africa and whether it is different from the Western countries in terms of providing loans. In short, the goal is to find out whether the disputed claims of neo-colonialism and debt trap are facts or fiction via a comparative analysis.

1.3.4 Case Study

The SSA is taken as the main region case for analysis. Throughout the discussion, the author would incorporate multiple countries outside this region for comparison, but the SSA remains as the main region case for investigation.

There are five reasons for adapting SSA as a region case for analysis. First, SSA is the most crucial case of China's aid because China has been providing aid to SSA for more than 60 years. In addition, a large number of literatures are using a variety of African countries to discuss China's foreign aid behaviors. Presumably, the before mentioned disputed claims are also referring to African countries. Hence, it is logical for the author to take SSA as a region case. Second, SSA contains the most and the least situation. For instance, AidData, a research lab at William & Mary University has found that Cote d'Ivoire, Ethiopia, Zimbabwe, Cameroon, Nigeria, Tanzania, and Ghana are on the list of the 10 largest recipients of China's ODA.¹⁴⁶ This indicates that a larger

¹⁴⁶ AidData's Global Chinese Official Finance Dataset, "China's Global Development Footprint," *Aiddata*, <https://www.aiddata.org/china-official-finance>

proportion of China's grants and interest-free loan are delivered to African countries. As for China's OOF, there is only Angola on the list of 10 largest recipients of China's OOF.¹⁴⁷ In addition, Eswatini, the only African country that does not have diplomatic ties with China has not revived any foreign aid from China. Third, although China and SSA are geographically far away from each other and are separated by vast land and ocean and different culture and language, the Sino-Africa aid relationship has been developing for more than six decades. Moreover, the FOCAC is the most successful flagship multilateral platform that China has established. This makes Sub-Saharan Africa a critical region case for the investigation of Chinese aid.

More importantly, since the research objective is to find out whether there is a gap between the rhetoric and reality among the disputed claims of Chinese aid, taking the entire SSA would be more appropriate for analysis, because it contains a much larger representativeness and a variety of examples for comparison. For instance, it is easier to have bias on a single country such as Sudan if we want to figure out whether China is a rouge donor that supports authoritarian states, because other democratic African countries are overlooked. Similarly, it is also questionable for critics to only focus on the case of Sri Lanka's port of Hambantota and develop the theory of China's debt trap, because there are many other recipient countries of Chinese aid in the SSA that do not have indebted problems in the past 60 years of cooperation with China. Furthermore, what is true of China's relationship with a single African country is not necessarily true of China's relationship with SSA as a whole. For instance, there is a strong anti-China sentiment growing in Zambia, because of Zambia's domestic problems.¹⁴⁸ However, it would be problematic to claim that the entire SSA is resisting to China, because of a

¹⁴⁷ *Ibid.*

¹⁴⁸ Agence France Presse, "Say no to China: Anger mounts in Zambia over Beijing's presence," *Sunday Times*, September 23, 2018, <https://www.timeslive.co.za/news/africa/2018-09-23-say-no-to-china-anger-mounts-in-zambia-over-beijings-presence/>

case specific problem. Since every sector is different and every African country has a different case-specific problem, this research is designed not to be constrained by a single country, so that a much broader scope and comprehensive development of Chinese aid to SSA can be mapped out.

1.3.5 Data Sources

Data are collected from a variety of sources including International Organizations, Government Agencies of China, Central Intelligence Agency (CIA), the U.S. defense technical information center, Japan International Cooperation Agency (JICA), Think-tanks, foundation, forum, African agencies, other government agencies and data centers. Furthermore, the data from the China-Africa Research Initiative (CARI) at the Johns Hopkins University School of Advanced International Studies (SAIS), and the AidData would be highly adapted in discussion. Please see Table 1-1 for the data sources.

Table 1- 1: Data Sources

International Organizations	<p>Asian Development Bank (ADB) Asian Infrastructure Investment Bank (AIIB) Food and Agriculture Organization (FAO) Global Environment Fund (GEF) The Inter-American Development Bank (IDB) International Monetary Fund (IMF) United Nations Conference on Trade and Development (UNCTAD) United Nations Development Program (UNDP) United Nations Educational, Scientific and Cultural Organization (UNESCO) United Nations Industrial Development Organization (UNIDO) World Bank (WB) World Food Programme (WFP) World Health Organization (WHO)</p>
Government Agencies of China	<p>Departments of the Communist Party of China (CPC) The Export-Import Bank of China China Development Bank Corporation Agricultural Development Bank of China Embassy of the People’s Republic of China Institute of International Development Cooperation of Chinese Academy of International Trade and Economic Cooperation (CAITEC) Ministry of Agriculture (MOA) Ministry of Commerce (MOFCOM) Ministry of Foreign Affairs (MOFA) Ministry of Finance (MOF) Ministry of Education (MOE) Ministry of Natural Resources (MNR)</p>
Foundation and Forum	<p>China-Africa Development Fund (CADFund) Africa Growing Together Fund (AGTF) Forum on China-Africa Cooperation (FOCAC), The Silk Road Fund</p>
African Agencies	<p>African Development Bank (AfDB) African Union (AU)</p>
Other Government Agencies	<p>Japan International Cooperation Agency (JICA) Research Institute The United States Agency for International Development (USAID) Central Intelligence Agency (CIA) The Defense Technical Information Center (DTIC) Ministry of Science and Technology of R.O.C. (MOST)</p>
Data Center	<p>AidData: A Research Lab at William & Mary Afrobarometer Data The China-Africa Research Initiative (CARI) at the Johns Hopkins University School of Advanced International Studies (SAIS) Pew Research Center Wilson Center Digital Archive UNCTAD IIA Databases UN Comtrade International Trade Statistics Database Financial Tracking Service (FTS) Center For Global Development (CGD) The Global Development Policy Center (GDP Center)</p>

Source: Composed by the Author.

1.3.6 Scope of Research

The main purpose of this research is to investigate whether the disputed claims of China's foreign aid behaviors in SSA are rhetoric or reality. By supplementing to the existing literatures, the author attempts to deconstruct China's foreign aid by incorporating the ideational structure (normative guidance) and material structure (institutional mechanism) as intervening variables to further observe China's aid behaviors. Furthermore, the controversial issues of China's neo-colonial aid projects and debt traps would be examined via data and statistics. Given this, the spatial scope takes the SSA as a regional case for analysis. The temporal spectrum covers from the 1950s to 2017, because in order to map out the ideational and material structure of Chinese aid, the author has to trace the continuity and change of the development of China normative guidance and institutional mechanism.

1.4 Chapter Outlining

There are six chapters in this dissertation. Chapter One introduces the research background of China's aid activities in the SSA and unveils the facts that not only China is a rising aid provider outside the OECD-DAC community, but China is also a different aid provider compared to DAC's aid allocation and practices. It also provides in depth literature review and notes that few research has be addressed on the normative guidance and institutional mechanism of China's aid projects. More importantly, Chapter One singles out disputed claims of Chinese neo-colonialism and Chinese debt trap and suggests that we have to investigate whether these claims are rhetoric or reality.

Chapter Two aims to contextualize China's foreign aid with the continuity and change of China's normative guiding principles of Chinese aid. The author argues that

China's aid behaviors are products of its ideational structure framed by the normative guiding principles.

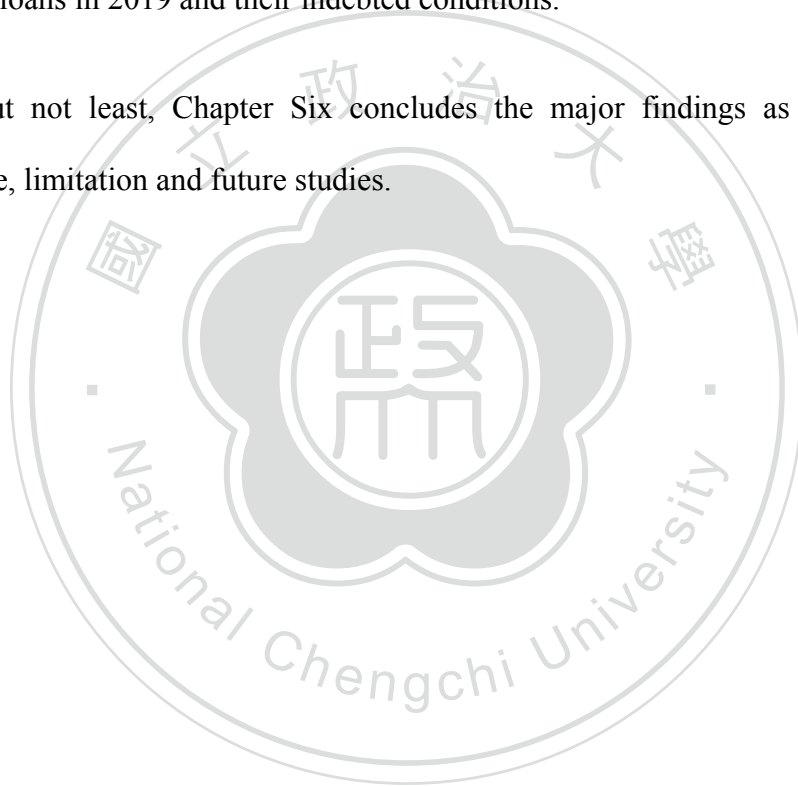
In addition, Chapter Three aims to analyze the continuity and change of China's institutional mechanism of foreign aid from 1950 to 2017. It is suggested that China's foreign aid behaviors are also products of its institutional mechanism. In other words, it is crucial to find out which government agency is in the driver's seat of China's foreign aid implementation, meaning that which government agency is in charge of China's foreign aid project on a daily basis of operation. Different government agencies would have different capacity and policy orientation. To find out whether China's foreign aid has the intention to conduct neo-colonialism, and debt trap in the SSA, we have to firstly comprehend China's aid institution.

Chapter Four aims to find out whether it is rhetoric or reality that China's foreign aid to SSA is a form of neo-colonialism. The chapter adapts Kwame Nkrumah's discourse of neo-colonialism¹⁴⁹ as well as historical records, data and statistics to analyze the nature and the workflow of China's aid projects. Is China exploiting the entire process of foreign aid cooperation and forcing African countries to sign the aid agreements? Is China's foreign aid implementation emphasizing more on China's political influence or China's economic interests? Are there complementary aspects between China and recipient countries in the SSA? Is China willing to engage with multilateral cooperation via Chinese aid? By investigating these mentioned five questions, Chapter Four would make an evaluation about whether the claim asserting that China's foreign aid is a form of neo-colonialism is rhetoric or reality.

¹⁴⁹ Kwame Nkrumah, *Neo-Colonialism: The Last Stage of Imperialism* (New York: International Publishers, 1966), p. xi

Chapter Five aims to find out whether it is rhetoric or reality that China's foreign aid to SSA is a debt trap. A number of disputed claims about China's huge loans to the SSA and the discourse of how China would use loan strategically to leverage for its political and economic interests would be discussed. Moreover, the author would use data to calculate China's grants, loans and debt cancellation. The chapter also analyzes the share of creditors in African countries' external debt and attempts to find out who owns the most debt of SSA. Finally, the chapter investigates top 10 African borrowers of Chinese loans in 2019 and their indebted conditions.

Last but not least, Chapter Six concludes the major findings as well as the significance, limitation and future studies.





Chapter Two

Contextualizing the Normative Guidance of Chinese Aid

2.1 Introduction

China has been providing foreign aid since the 1950s despite the fact that it does not belong to the membership of DAC of OECD.¹ Compared with the major donors of Western countries, the Chinese foreign assistance is relatively small, but it is growing at a fast rate.² The amount of China's foreign aid in 2001 was only about 1.8 percent of the total contribution made by the DAC members.³ However, with the implementation of Going Out policy in the 2000s, the finance of Chinese foreign aid has grown at an average rate of 21.8 percent annually. In 2013, China contributed about 3.9 percent to total global development assistance, or 6.6 percent of the total contribution by DAC countries and over 26 percent of total U.S. foreign aid.⁴ It is estimated that China has become the largest foreign aid provider outside the DAC members.⁵

With such a growing momentum, China's foreign aid activities have attracted a

¹ Jing Liao, Feng Cheng, Asher Harris, and Dong Xu, "The new face of China's foreign aid: where do we go from here?" *The Lancet* (2019/2/23), <https://www.thelancet.com/action/showPdf?pii=S0140-6736%2818%2931496-X>; DAC members: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States

² Junyi Zhang, "Chinese foreign assistance, explained," *The Brookings Institution* Tuesday, July 19, 2016 <https://www.brookings.edu/blog/order-from-chaos/2016/07/19/chinese-foreign-assistance-explained/>

³ *Ibid.*

⁴ *Ibid.*

⁵ Axel Dreher, Andreas Fuchs, Bradley Parks, Austin Strange, Michael Tierney, "Aid, China, and Growth: Evidence from a New Global Development Finance Dataset," *Working Paper No. 46* AidDATA (2017), pp. 1-65. http://docs.aiddata.org/ad4/pdfs/WPS46_Aid_China_and_Growth.pdf

plethora of attention and analysis from various aspects. In addition, Western commentators often criticize China's foreign aid for being less altruistic and more orientated by the self-interests of seeking political favors, securing unfair commercial advantages.⁶ However, Axel Dreher, professor of International and Development Politics at Heidelberg University suggests that the criticism of Chinese aid stems from a misperception of the nature of China's foreign aid.⁷ Given the fact that China provides more OOF than ODA, its foreign aid does not try to buy political influence in the recipient countries, because OOF is not grant or cash, but a commercial package containing loans and credits, which the African recipients have to make repayment with an equal amount of economic interests.⁸ Therefore, China's OOF in the SSA is delivered for economic interests, not for political influence, because given the fact that China provides more OOF than ODA in its foreign aid packages, it is unlikely for China to extend its political influences in recipient countries via the provision of OOF.⁹

Nevertheless, despite criticism and counter arguments of China's foreign aid behaviors, few studies have investigated the ideational structure of Chinese aid, namely the normative guiding principles. It is significant to comprehend China's normative guidance of Chinese aid as an intervening variable effecting the objective and direction of China's foreign aid deployment. Hence, the author attempts to trace China's normative guidance of foreign aid from the 1950s to the 2010s and evaluate the normative principles of China's foreign aid. By conducting such task, the objective aims

⁶ Stefan Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-first Century* (New York: Basic Books, 2010); Penny Davies, "China and the End of Poverty in Africa – towards Mutual Benefit?" *Diakonia*, 2007, http://eurodad.org/uploadedfiles/whats_new/reports/kinarapport_a4.pdf

⁷ Axel Dreher, Andreas Fuchs, Brad Parks, Austin M. Strange, Michael J. Tierney, "Apples and Dragon Fruits: The Determinants of Aid and Other Forms of State Financing from China to Africa," *International Studies Quarterly*, Vol. 62, No. 1, (2018), pp. 182-194.

⁸ *Ibid.*

⁹ *Ibid.*

to find out the continuity and change of China's normative principles of foreign aid from 1950 to 2017.

In order to trace the development of China's normative guiding principles from the 1950s to the 2010s, China's foreign aid development will be divided into three phases in line with "China's Foreign Aid," a White Paper issued by Information Office of the State Council of the P.R.C. in 2011.¹⁰ The first phase started from 1950 soon after the founding of the P.R.C. to the year of 1977. The second phase took place from 1978 when Deng Xiaoping took a pragmatic open-door policy to the year of 2000. The third phase was launched from the year of 2000 with the kickoff of FOCAC and the establishment of MOFCOM in 2003 to 2017.

To sum up, the aim of Chapter Two is to supplement the China's foreign aid discussion via an investigation of the normative guidance of Chinese aid. It is critical to incorporate China's normative guiding principles of Chinese aid behaviors, so that we can observe whether China's aid behaviors are products of normative guidance.

2.2 Normative Guidance of Chinese Aid, 1950-1977

Prior to the 1977, China's foreign aid projects were directed by the Socialist Internationalism, Third World Identity, Five Principles of Peaceful Coexistence and Chinese Premier Zhou Enlai's Eight Principles for Economic Aid and Technical Assistance to Other Countries. Among them, the Five Principles of Peaceful Coexistence and Zhou Enlai's Eight Principles for Economic Aid and Technical Assistance are still relevant to the Chinese aid implementation in nowadays. Overall

¹⁰中華人民共和國國務院新聞辦公室，〈中國的對外援助〉，《中華人民共和國國務院新聞辦公室》，2011年4月21日，<http://www.scio.gov.cn/m/zxbd/nd/2011/Document/896900/896900.htm>

speaking, China's ideational structure of foreign aid, including ideas, values and norms were intertwined with China's foreign policy goals before 1978. That being said, it was influenced by China's foreign policy shifts and ideological consideration. From the socialist brother countries to the developing countries of the Third World, China's aid projects were employed as diplomatic instruments to expand China's international space and diplomatic interests.

2.2.1 Socialist Internationalism

Socialist internationalism was the first guiding principle of China's foreign aid after its founding in 1949. It was a product of China's diplomatic decision to take side with the socialist bloc led by the Soviet Union. Hence, China's foreign aid was mainly used to support the socialist brother countries. It was purely driven by ideological consideration and diplomatic interests.

Assembling the world-wide proletarians in a struggle against capitalism

After founded in 1949, China took a stand with the Second World and sided with the socialist bloc led by the Soviet Union.¹¹ The guiding principle for China to deploy foreign aid was "socialist internationalism," which reflects the international community of the fundamental interests among the proletarians of the world in their struggle against capitalism.¹² Socialist internationalism was a theory and an idea to mobilize and assemble the working classes across the world in a struggle against the capitalist West

¹¹ On 14 February 1950, China and the Soviet Union signed the Sino-Soviet Treaty of Friendship, Alliance and mutual Assistance and other agreements. See Ministry of Foreign Affairs, the People's Republic of China, "Conclusion of the 'Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance,'" *Ministry of Foreign Affairs, the People's Republic of China*, https://www.fmprc.gov.cn/mfa_eng/ziliao_665539/3602_665543/3604_665547/t18011.shtml

¹² S. Anghelov et al., eds, *Socialist Internationalism: Theory and Practice of International Relations of a New Type* (Moscow: Progress Publishers, 1982), p. 50.

by consolidating the Second World and reaching to the Third World.¹³

Supporting the socialist brother states

In spite of the meaning of socialist internationalism had connoted the Soviet dominance after World War II, Chinese leaders had combined nationalistic agenda with socialist internationalism via the practice of “leaning to one side” and “learn from the Soviet Union” in order to gain supports from the international revolutionary forces.¹⁴ Simultaneously, China was also expected to support socialist brother states and take joint actions for the common course of socialism and communism in foreign affairs.¹⁵ This partially explains why China intervened the Korean War on behalf of the Democratic People’s Republic of Korea (DPRK) from 1950 to 1953. Despite the security concerns and the complex Cross-strait relations at the time,¹⁶ China’s decision of situating itself in a military conflict with the United States while it was not fully prepared displayed a deep rooted ideology of anti-imperialist campaign against the U.S.

Table 2-1 indicates that China had provided more foreign aid including grants, loans, and complete sets of projects to socialist brother countries than to other developing countries from 1950 to 1960. As of 1960, China had provided CNY 25.79 billion to socialist countries, whereas there were only CNY 2.38 billion grants had been given to

¹³ Patryk Babiracki and Austin Jersild, “Editors’ Introduction,” in eds. Patryk Babiracki and Austin Jersild, *Internationalism in the Cold War: Exploring the Second World* (Switzerland: Springer Nature, 2016), p. 4.

¹⁴ Zhimin Chen, “Nationalism, Internationalism and Chinese Foreign Policy,” *Journal of Contemporary China*, Vol. 14 No. 42 (2005), p. 41; Mao Tse-tung, *On the people’s democratic dictatorship: Soviet Union our best teacher* (Beijing: Foreign Language Press, 1958); Mao Tse-tung, *Selected Works of Mao Tse-tung*, Vol. IV (Beijing: Foreign Language Press, 1961), pp. 413-15; Thomas P. Bernstein and Hua-Yu Li, *China Learns from the Soviet Union, 1949-present* (Lanham: Lexington Books, 2010)

¹⁵ Zhimin Chen, “Nationalism, Internationalism and Chinese Foreign Policy,” *Journal of Contemporary China*, Vol. 14 No. 42 (2005), pp. 41.

¹⁶ The Truman Administration had not only provided American air and naval support for South Korea, but also ordered the 7th Fleet to interpose the Chinese civil war and neutralize the Taiwan Strait on 27 June, 1950. See Hao Yufan and Zhai Zhihai, “China’s Decision to Enter the Korean War: History Revisited,” *The China Quarterly*, No. 121 (1990), p.100.

Asian and African countries. Furthermore, China had also granted CNY 9.60 billion of loans and finished a total value of CNY 9.62 billion of complete sets of projects to the socialist countries. Most of the loans were either interest-free or low interest from less than 1 or 2.5 percent from 1956-1960.¹⁷ For the number of accomplished sets of projects, the socialist countries received 165 projects from China whereas the Asian and African countries had only received 17 projects. Table 2-1 also reveals that Vietnam had received 100 complete sets of projects from China in the 1950s, which is the highest number compare to other recipient countries. Chinese aid was driven by ideological solidarity and the foreign policy goals of uniting the bloc of socialist countries. In addition, the aid patterns were mostly grants, rather than loans. It demonstrated a close co-relation between grant provision and diplomatic support and endorsement.

Table 2- 1: China's Aid Commitment from June 1950 to 1960 (Unit: CNY)

	Brother Countries of the Socialist Bloc	Asian and African Countries
Grants	25.79 billion	2.38 billion
Loans	9.60 billion	2.51 billion
The Value of Complete Sets of Projects	9.62 billion	0.247 billion
Number of Complete Sets of Projects	165	17
Recipient Countries	Korea: 8 Vietnam: 100 Mongolia: 53 Albania: 3 Czech: 1	Cambodia: 8 Yemen: 6 Nepal: 2 Myanmar: 1

Source: 孫德剛，〈中國特色的國際合作觀-毛澤東時期中國準聯盟外交戰略探析〉，《國際展望》，第1期，2009年，頁33。

¹⁷ John Franklin Copper, *China's Foreign Aid: An Instrument of Peking's Foreign Policy* (Lexington, MA: D.C. Heath, 1976), p. 137.

2.2.2 The Third World Ideology

The third world ideology is the second normative guiding principle of Chinese aid before 1978. It revealed a foreign policy shift from the socialist brother bloc to all the developing countries from the Third World. In the 1950s, China realized that it had to break the international isolation and seek other allies besides the socialist brother countries via the provision of Chinese aid. The 1955 Bandung Conference was a turning point for China to expand its African allies in the Third World.

The Five Principles of Coexistence

The origin of China's Third World ideology started when Joseph Vissarionovich Stalin was slow in dispatching the promised Soviet military assistance to support China in the Korean War and Mao Zedong realized that China had to broke the international isolation and reach out to the Third World.¹⁸ In 1952, China approached India, one of the representatives of the Non-Alignment Movement and both countries enshrined the "Five Principles of Coexistence" (Panch Shila)¹⁹ in 1954, which created the opportunity for China to attend the Bandung Conference (as known as The Asian-African Conference) of 1955.²⁰ China's participation in the Bandung Conference of 1955 symbolized a foreign policy shift to side with the Third World and to distinguish itself from both the capitalist "West" and the Soviet Union.²¹ The "Five Principles of

¹⁸ Lorenz M. Lüthi, *The Sino-Soviet Split: Cold war in the communist world* (New Jersey: Princeton University Press, 2008), p. 36.

¹⁹ The Five Principles are first found in the text of a treaty between India and the People's Republic of China on Tibet signed in Peking on April 29, 1954. They called for (1) mutual respect for each other's territorial integrity and sovereignty, (2) mutual non-aggression, (3) mutual non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful co-existence. See Russel H. Fifield, "The Five Principles of Peaceful Co-Existence," *American Journal of International Law*, Vol. 52 No. 3 (1958), pp. 504-510.

²⁰ Lorenz M. Lüthi, *The Sino-Soviet Split: Cold war in the communist world*, p. 36.

²¹ Arif Dirlik, "Mao Zedong Thought and the Third World/Global South," *Interventions: International Journal of Postcolonial Studies*, Vol. 16 No. 2 (2014), p. 235.

Coexistence” has remained the foundation of China’s Third World foreign policy even until today. At the 60th anniversary of the initiation of the Five Principles of Peaceful Coexistence held in 2014, Xi Jinping stated that the Five Principles of Peaceful Coexistence is rooted in the Asian tradition of peace and harmony without uniformity and has been upholding the rights and interests of the developing world.²² By highlighting the elements of “mutual” and “co-existence,” Xi Jinping noted that the spirit of the Five Principles of Peaceful Coexistence remains as relevant as ever for contemporary international relations.²³

Expanding Diplomatic Relations with the Third World

To identify with the Third World has become one of the leading principles for the Chinese foreign aid at this stage. China considers itself as part of the Third World and sided with those who have been oppressed by the Western imperialism and former colonialism. With respect to the Report on the Work of the Government in 1964, Premier Zhou Enlai declared that China has to assist brotherly nations in realizing their socialist construction, to assist the non-independent countries in gaining independence and to assist the newly-independent countries in achieving self-reliance by providing Chinese aid.²⁴ This shows that China’s foreign policy at that time was to gain the support from the Third World and to expand diplomatic relations with developing countries that have shared common interests of anti-imperialism and anti-colonialism. In addition, by standing with the Third World and to demand a much fairer and just worldwide political and economic order also suited China’s interests.

²² Xi Jinping, “Carry Forward the Five Principles of Peaceful Coexistence To Build a Better World Through Win-Win Cooperation,” *Ministry of Foreign Affairs, the People's Republic of China*, July 1, 2014, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1170143.shtml

²³ *Ibid.*

²⁴ 周恩來，〈1964年國務院政府工作報告〉，《中國政府網》，1964年12月21日和22日，http://www.gov.cn/test/2006-02/23/content_208787.htm

Foreign aid had become an instrument for China to deepen the relationships with Third World countries. In 1958, The Central Committee of the Communist Party of China announced the “Report for Strengthening the Leadership for Foreign Economic and Technical Assistance,” proposed by Chen Yi and Li Fu-chun.²⁵ In this official report, it openly emphasizes that foreign economic and technical assistance is a serious political task and it is China’s obligation to assist socialist countries. The report highlights the value that the reason for China to assist these countries is to help them to achieve their self-reliance.²⁶

2.2.3 The Eight Principles for Economic Aid and Technical Assistance in 1964

Zhou Enlai’s Eight Principles for Economic Aid and Technical Assistance has been an influential guiding principle of Chinese aid since 1964. It contains some of the key concepts of China’s aid behaviors, which are still relevant in present days. Equality and mutual benefits were two of them. However, due to the fact that China’s foreign aid was still guided by the diplomatic concerns and implemented in forms of grants and interests-free loans, mutual benefits (economic interests) were not realized.

The core principles of Chinese aid

The Eight Principles for Economic Aid and Technical Assistance are considered the core content of China’s foreign aid policy that is still relevant in nowadays.²⁷ These principles were announced by Chinese Premier Zhou Enlai during a state visit to Ghana

²⁵ 人民日報社，〈中共中央批轉陳毅、李富春「關於加強對外經濟、技術援助工作領導的請示報告」〉，人民日報社，1958年10月25日，
<http://cpc.people.com.cn/GB/64184/64186/66665/4493219.html>

²⁶ *Ibid.*

²⁷ Organisation for Economic Co-operation and Development, Development Co-operation of the People’s Republic of China, Organisation for Economic Co-operation and Development, <https://www.oecd.org/dac/stats/chinas-development-co-operation.htm>

on January 15, 1964.²⁸ The principles can be taken as a reiteration of the Five Principles of Coexistence on the core values of equality, mutual benefit and no strings attached and established the fundamental guideline for China's aid implementation. These Eight Principles for Economic Aid and Technical Assistance are:²⁹

- (1) The Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual.
- (2) In providing aid to other countries, the Chinese Government strictly respects the sovereignty of the recipient countries, and never attaches any conditions or asks for any privileges.
- (3) China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for the repayment when necessary so as to lighten the burden of the recipient countries as far as possible.
- (4) In providing aid to other countries, the purpose of the Chinese Government is not to make the recipient countries dependent on China but to help them embark step by step on the road of self-reliance and independent economic development.
- (5) The Chinese Government tries its best to help the recipient countries build projects which require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital.
- (6) The Chinese Government provides the best-quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them.

²⁸ China Daily, "Zhou Enlai announces eight Principles of foreign aid," *China Daily*, August 13, 2010, http://www.chinadaily.com.cn/china/2010-08/13/content_11149131.htm

²⁹ Zhou Enlai, "The Chinese Government's Eight Principles for Economic Aid and Technical Assistance to Other Countries," *Wilson Center*, January 15, 1964, <https://digitalarchive.wilsoncenter.org/document/121560.pdf>

- (7) In giving any particular technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such technique.
- (8) The experts dispatched by China to help in construction in the recipient countries will have the same standard of living as the experts of the recipient country. The Chinese experts are not allowed to make any special demands or enjoy any special amenities.

In light of China's eight principles on foreign aid announced by Zhou Enlai on January 15, 1964, we can find four distinctive characteristics of Chinese foreign aid, which are not only different from the practice of Western countries from the DAC, but also remain critical in nowadays regarding China's contemporary conducts of foreign aid. The four characteristics are equality and mutual benefit, no political strings attached, concerns about debt, and technology transfer.

Equality matters for Chinese aid

First, equality and mutual benefit are the first set of characteristics of Chinese foreign aid principles. This declaration on the respect for partners' sovereignty in 1964 does not deviate from the Five Principles of Coexistence and the Bandung Spirit in 1955,³⁰ which is also considered as the Ten Principles of South-South Cooperation

³⁰ 1. Respect for fundamental human rights and for the purposes and principles of the Charter of the United Nations 2. Respect for the sovereignty and territorial integrity of all nations 3. Recognition of the equality of all races and of the equality of all nations large and small 4. Abstention from intervention or interference in the internal affairs of another country 5. Respect for the right of each nation to defend itself singly or collectively, in conformity with the Charter of the United Nations 6. (a) Abstention from the use of arrangements of collective defence to serve the particular interests of any of the big powers (b) Abstention by any country from exerting pressures on other countries 7. Refraining from acts or threats of aggression or the use of force against the territorial integrity or political independence of any country 8. Settlement of all international disputes by peaceful means, such as negotiation, conciliation, arbitration or judicial settlement as well as other peaceful means of the parties' own choice, in conformity with the Charter of the United Nations 9. Promotion of mutual interests and co-operation 10. Respect for justice and international obligations See The Ministry of Foreign Affairs, Republic of Indonesia, "Final Communiqué of the Asian-African conference of Bandung," *Centre Virtuel de la Connaissance sur l'Europe*, April 24, 1955, http://franke.uchicago.edu/Final_Communique_Bandung_1955.pdf

(SSC).³¹ Sovereignty matters for China's foreign aid deployment, because it highlights the political non-conditionality and the achievement of self-reliance.³² Unlike the traditional Western aid donors,³³ when China provides grants or loans to developing countries, it generally requires no political conditions for the recipient governments to adjust governance structure and adhere to international best practices.³⁴ Despite the fact that technically speaking China does have demands on the One-China Principle and the acknowledgement of the P.R.C. as the legitimate government of China in the process of cooperation, no strings attached has become a widely shared impression of China's international cooperation.³⁵

China is not a donor, but a partner of mutual benefits

Mutual benefit is also one of the primary principles in China's foreign aid patterns because it points out the fact that China is not a donor, but a partner to those developing countries. Zhou Enlai made it clear that Chinese aid has never been a kind of unilateral charity, but something mutual.³⁶ It means that both China and the recipient country of Chinese aid should be benefitted from this aid relationship. China's aid to Africa is not

³¹ Yuefen Li, "Assessment of South-South Cooperation and the Global Narrative on the Eve of BAPA+40," South Center Research Paper No. 88 (2018), https://www.southcentre.int/wp-content/uploads/2018/11/RP88_Assessment-of-South-South-Cooperation-and-the-Global-Narrative-on-the-Eve-of-BAPA40_EN-2.pdf

³² Andreas Fuchs and Marina Rudyak, "The Motives of China's Foreign Aid," http://www.andreas-fuchs.net/uploads/1/9/8/9/19897453/fuchs_rudyak_chinas_aid_motives_website.pdf

³³ International Organizations like to impose prescriptions on poor countries as a condition of foreign aid. The first President of Tanzania, Julius Nyerere once described the IMF as the international Ministry of Finance and asked who elected the IMF to be the Ministry of Finance for every country in the world? See John Ndembiwe, *Life in Tanzania Today and Since the Sixties* (Cape Town: New Africa Press, 2010), p. 149.

³⁴ Gregory Chin and Eric Helleiner, "China as a Creditor: A Rising Financial Power?" *Journal of International Affairs*, Vol. 62 No. 1 (2008), pp. 87–102; Vivien Foster, William Butterfield, Chuan Chen and Nataliya Pushak, *Building Bridges*, p. 6.

³⁵ Mikael Mattlin and Matti Nojonen, "Conditionality and Path Dependence in Chinese Lending," *Journal of Contemporary China*, Vol. 24 No. 94 (2015), pp. 701-720.

³⁶ The Chinese Government always bases itself on the principle of equality and mutual benefit in providing aid to other countries. It never regards such aid as a kind of unilateral alms but as something mutual. See Zhou Enlai, "The Chinese Government's Eight Principles for Economic Aid and Technical Assistance to Other Countries," *Wilson Center*, January 15, 1964, <https://digitalarchive.wilsoncenter.org/document/121560.pdf>

like a gift from a wealthy country to developing country, rather it is a development cooperation that is based on reciprocity and mutual interests.

Concerning the recipients' debt stress

In the third principle of Zhou Enlai's announcement, Beijing explicitly states that China provides economic aid in the form of interest-free or low-interest loans and extends the time limit for the repayment when necessary so as to lighten the burden of the recipient countries. This displays the fact that when China wanted to achieve its diplomatic interests via foreign aid, the aid patterns were in forms of grants, interest-free or low-interest loans, which could be considered in line with the definition of ODA carrying at least 25% of grant element.³⁷

Technology transfer is included in aid projects

Technology transfer is the last highlight of the announced Eight Principles of foreign aid in 1964. The principle stated that China will assure the personnel of the recipient country to fully master technique provided by China during the cooperation. This proves that the idea of technical transfer has existed in Sino-Africa cooperation since 1964 in spite of the fact some argue that the opaqueness of Sino-African engagement does not generate the transfer of technology and China has seldom transfer

³⁷ Grant element is the degree of concessionality or the grant portion of a loan. It determines the interest rate, grace period, maturity and the discount rate used to calculate the present value of future repayment. To provide a grant element means that provider gives lower interest rate compared to the benchmark rate. In addition, not only the provider would give lower interest rate, but it would use a discount rate rather than the benchmark rate to calculate the present value of future repayment. Hence, grant element is defined by the difference between the loan's face value (the repayment made by the borrower) and the present value (the sum of the payments to be made by the borrower in the future with the present interest rate). And the difference is indicated as a percentage of the loan's face value. More importantly, the discount rate is the key parameter of grant element. The higher the discount rate, the lower the present value of future repayment and the higher the grant element. According to the ODA definition, it has to have at least 25% of the grant element. Please see GOV.UK Developer Documentation, "ODA grant equivalent measure," *GOV.UK Developer Documentation*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/792460/Grant-Equivalent-Technical-Note.pdf

technologies to African people.³⁸

2.2.4 Revolutionary Pragmatism

Revolutionary pragmatism is the fourth normative guidance for China's foreign aid before 1978. Due to the Sino-Soviet dispute in the late 1960s and the devastating consequences of Cultural Revolution, China adjusted its foreign policy into a more pragmatic orientation while preserving the ideology of anti-imperialism, seeking more international space and diplomatic relations in the 1970s.

Synthesizing idealism and realism

Harry Harding, Professor from the University of Virginia notes that the major policy for China in 1970s was to remedy the excesses caused by Cultural Revolution while remained a gesture to continue the anti-imperial ideology in a more flexible, ordered, and pragmatic manner.³⁹ China's revolutionary pragmatism in the 1970s represents a synthesis of idealism (revolutionary) and realism (pragmatic) in policy areas of politics, military, economic, education and foreign policy.⁴⁰ In foreign policy, Harding notes that the revolutionary aspect was the remaining ideology of anti-imperialism, but the pragmatic aspect was the concept of "co-existence."⁴¹ In light of the Communiqué of the Second Plenary Session of the Ninth Central Committee of the Communist Party of China issued on September 6, 1970, it was stated that China must carried on the struggle against imperialism, because the U.S. imperialism has become isolated and beleaguered

³⁸ Juliet U. Elu and Gregory N. Price, "Does China Transfer Productivity Enhancing Technology to Sub-Saharan Africa? Evidence from Manufacturing Firms," *African Development Review* Vol. 22 No. 2 (2010), pp. 587-598; Frank Youngman, *Strengthening Africa-China Relations: A perspective from Botswana* (Stellenbosch: The Centre for Chinese Studies, 2013), p. 11.

³⁹ Harry Harding, "China: Toward Revolutionary Pragmatism," *Asian Survey*, Vol. 11, No. 1 (1971), p. 52.

⁴⁰ *Ibid.*

⁴¹ *Ibid.* p. 63.

by the revolutionary people of the whole world.⁴² On the other hand, the Communiqué declared that China endeavors for “peaceful coexistence” with countries having different social systems and against the imperialist policies of aggression and war.⁴³ More importantly, China should have friends all over the world.

The pragmatic co-existence

With respect to the concept of co-existence borrowed from the Five Principles and the intention to have friends all over the world, there was a clear foreign policy shift for China between the 1969 and 1973⁴⁴ pursuant to the following significant events: (1) the Sino-Soviet border conflict in 1969 made Moscow become China’s biggest threat⁴⁵ (2) the resumption Sino-American “Ambassadorial Talks” at Warsaw in 1970⁴⁶; (3) China’s Ping-Pong team invites members of the U.S. team to China on April 6, 1971⁴⁷; (4) the restoration of the lawful rights of the People’s Republic of China at the United Nations in 1971⁴⁸; (5) The U.S. President Richard Nixon visited China in 1972⁴⁹; (6) The resumption of diplomatic relations between China and Japan also took place in

⁴² Beijing Review, “Communiqué of the Second Plenary Session Of the Ninth Central Committee of the Communist Party of China,” *Beijing Review*, June 30, 2011, http://www.bjreview.com.cn/90th/2011-06/30/content_373111.htm

⁴³ *Ibid.*

⁴⁴ Greg O’Leary, *The Shaping of Chinese Foreign Policy* (Canberra: Australian National University Press, 1980), p. 11.

⁴⁵ Council on Foreign Relations, “U.S. Relations With China: 1949 - 2019,” *Council on Foreign Relations*, May 29, 2019, <https://www.cfr.org/timeline/us-relations-china>

⁴⁶ Alvin Shuster, “U.S. and Chinese Resume Talks After Two Years,” *The New York Times*, January 21, 1970, <https://www.nytimes.com/1970/01/21/archives/us-and-chinese-resume-talks-after-two-years-talks-resumed-by-us-and.html>

⁴⁷ Evan Andrews, “How Ping-Pong Diplomacy Thawed the Cold War,” *HISTORY*, October 19, 2018, <https://www.history.com/news/ping-pong-diplomacy>

⁴⁸ There were 26 African countries, along with 50 others, voted in favor of United Nations General Assembly Resolution 2758 to recognize the People’s Republic of China as the sole legitimate representative of China at the United Nations see China Daily, “Chronology of China-Africa relations,” *China Daily*, May 5, 2014, http://www.chinadaily.com.cn/world/2014livisitafrica/2014-05/05/content_17483508.htm

⁴⁹ President Nixon visited China in February 1972, and signed the Shanghai Communiqué with Premier Zhou Enlai, see Council on Foreign Relations, “U.S. Relations With China: 1949 – 2019,” *Council on Foreign Relations*, May 29, 2019, <https://www.cfr.org/timeline/us-relations-china>

1972.⁵⁰ Moreover, due to China's admission to the United Nations (UN) in October 1971 and the improved diplomatic relations with Washington, China was having a momentum to normalize diplomatic relations with a majority of Third World countries.

2.2.5 Evaluation: Foreign Aid Served for Diplomacy from 1950 to 1977

Prior to the 1978, Chinese aid behaviors were employed as a policy instrument of socialist internationalism and Third World solidarity to pave the way for the breakthrough of international isolation.⁵¹ China wanted to have more international space, diplomatic relations and more importantly and the admission to the United Nations. Under this circumstance, China's aid behaviors were directed by foreign policies. The targeted recipient countries were mostly the socialist brother countries, newly independent countries and developing countries of the Third World. The aid patterns were mostly ODA, including grants, interest-free loans and low interest loans.

Moreover, given the fact that China's foreign aid was guided by foreign policy goals, its aid expenditure was fluctuated with major international events from 1953 to 1980 as displayed in the Figure 2-1. For instance, China's foreign aid expenditure had reached a total of US\$ 340 million in 1955, which is not only the year of Bandung Conference, but also the highest point of aid expenditure from 1953 to 1960. After the Bandung Conference, China's foreign aid has extended to Cambodia, Nepal and Burma.⁵² Egypt was the first African country that received Chinese aid in 1956, followed by Algeria,

⁵⁰ Charles Kraus, "Debating the Sino-Japanese Normalization, 1972," *The Wilson Center*, April 3, 2017, <https://www.wilsoncenter.org/blog-post/debating-the-sino-japanese-normalization-1972>

⁵¹ Jun Zhang, "China's Aid to Africa," in Hong Zhou ed. *China's Foreign Aid: 60 Years in Retrospect* (Singapore: Springer Nature, 2017), pp. 97-179.

⁵² Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," in Goran Hyden and Rwekaza Mukandala eds. *Agencies in Foreign Aid: Comparing China, Sweden and the United States in Tanzania* (New York: Macmillan Press Ltd, 1999), p. 166.

and Guinea.⁵³ Hence, the number of recipient countries was on a surge after the Bandung Conference. Furthermore, China's aid expenditure had reached a total of US\$ 435.7 million in 1961, which was the highest point from 1953 to 1966. It was the time of the Bay of Pigs invasion organized by the United States in 1961.⁵⁴

Prior to the 1980, another peak of China's aid expenditure from took place in 1967, which is accounted a total of US\$ 474 million. This was also the highest point of aid expenditure from 1953 to 1969. The reason for such high spending was because of the construction of Tanzania-Zambia Railway, which was commenced on September 5, 1967 via a railway agreement among China, Tanzania and Zambia, inaugurated on October 26, 1970 and completed on July 1976.⁵⁵ The railroad has marked the largest single foreign aid and technical assistant commitment to Africa.⁵⁶ Not only China had spent more than US\$ 401 million in this project, it had demonstrated China's capabilities and power and its continuous support to the liberation struggle in Southern Africa and the economic, military and political goals of Tanzania.⁵⁷ We have to keep in mind that the year of 1967 was a year just after the launch of Cultural Revolution in 1966 and China was not only deeply influenced by the spirit of Mao Zedong's revolutionary thought both domestically and internationally⁵⁸ but also suffered from an economic difficulty in 1966.⁵⁹ Under such unstable domestic circumstance, the fact that China was willing to provide a large amount of loan to assistant the project of

⁵³ *Ibid.*

⁵⁴ A&E Television Networks, "Bay of Pigs Invasion," *A&E Television Networks*, <https://www.history.com/topics/cold-war/bay-of-pigs-invasion>

⁵⁵ 王成安, 〈用鮮血和生命鑄就友誼之路——紀念援建坦贊鐵路犧牲的中國專家〉, 《中華人民共和國商務部》, <http://history.mofcom.gov.cn/?experience=jnyjztlxsdzgj>

⁵⁶ George T. Yu, "Working on the Railroad: China and the Tanzania-Zambia Railway," *Asian Survey*, Vol. 11 No. 11 (1971), pp. 1101–1117.

⁵⁷ George T. Yu, "Working on the Railroad: China and the Tanzania-Zambia Railway," *Asian Survey*, Vol. 11 No. 11 (1971), p. 1101.

⁵⁸ Central Intelligence Agency, "Mao's Red Guard Diplomacy: 1967," *Intelligence Report*, June 21, 1968, <https://www.cia.gov/library/readingroom/docs/polo-21.pdf>

⁵⁹ Dwight H. Perkins, "Economic Growth in China and the Cultural Revolution (1960—April 1967)," *The China Quarterly*, Vol. 30, No. 33 (1967), pp. 37-38.

Tanzania-Zambia Railway indicates the essence of China's deployment of foreign aid was driven by ideology and foreign policy interests while claiming the fact that even in the midst of Cultural Revolution, Beijing was still in good control of domestic matters and remained to be committed to Africa and the developing world.⁶⁰ Regarding the estimation of China's finance to the Tanzania-Zambia Railway construction, the MOFCOM claimed that China had provided interest-free loan of CNY 9.88 billion for project.⁶¹ Ngila Mwase estimates that the contract was 2,865 million Shilling, of which 2,300 million was an interest-free loan with a five year of grace period plus a long-way payback period from 1983 to 2001.⁶²

The highest peak of China's foreign aid expenditure from 1953 to 1980 took place in 1970 with a total of US\$ 1.1 billion aid to 11 recipient countries and the second highest peak was in the year of 1972 with a total of US\$ 690 million aid to 23 recipient countries. This momentum lasted until the year of 1975 with a total of US\$ 501 million aid to 15 recipient countries. Along with the largest foreign aid expenditure spent in 1970 and 1972, the most seminal international engagements for China from 1953 to 1980 were the warming up US-China relationship and the restoration of the lawful seat in the United Nations. The U.S.' reconciliation with the People's Republic of China in 1972 paved the way for the US-China normalization of relations in 1979, ending more than twenty years of Sino-American hostility.⁶³ China's restoration of the lawful seat in the U.N. took place on October 25 1971 with the famous "United Nations General Assembly Resolution 2758" recognizing the P.R.C. as the only lawful representative of China to the United Nations and one of the five permanent members of the Security

⁶⁰ Ian Taylor, *China and Africa: Engagement and Compromise*, p. 39.

⁶¹ 王成安,〈用鮮血和生命鑄就友誼之路——紀念援建坦贊鐵路犧牲的中國專家〉。

⁶² Ngila Mwase, "The Tanzania-Zambia Railway: The Chinese Loan and the Pre-Investment Analysis Revisited," *The Journal of Modern African Studies*, Vol. 21, No. 3 (1983), pp. 539.

⁶³ Evelyn Goh, "Nixon, Kissinger, and the "Soviet Card" in the U.S. Opening to China, 1971-1974," *Diplomatic History* Vol. 29 No. 3 (2005), p. 475.

Council.⁶⁴ Among the 76 countries that voted for the acceptance of this resolution, 65 were developing countries, and 23 of them were African countries including Algeria, Botswana, Burundi, Cameroon, Egypt, Equatorial Guinea, Ethiopia, Ghana, Guinea, Kenya, Mali, Mauritania, Nigeria, People’s Republic of Congo, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania and Zambia.⁶⁵ Because of the entrance to the U.N., China had established more diplomatic ties in the 1970s. At the same time, the demand for foreign aid support were expanded. As it is displayed in the Figure 2-1, the number of aid recipient countries had enlarged from 11 recipients in the 1970 to 23 recipients in 1972.

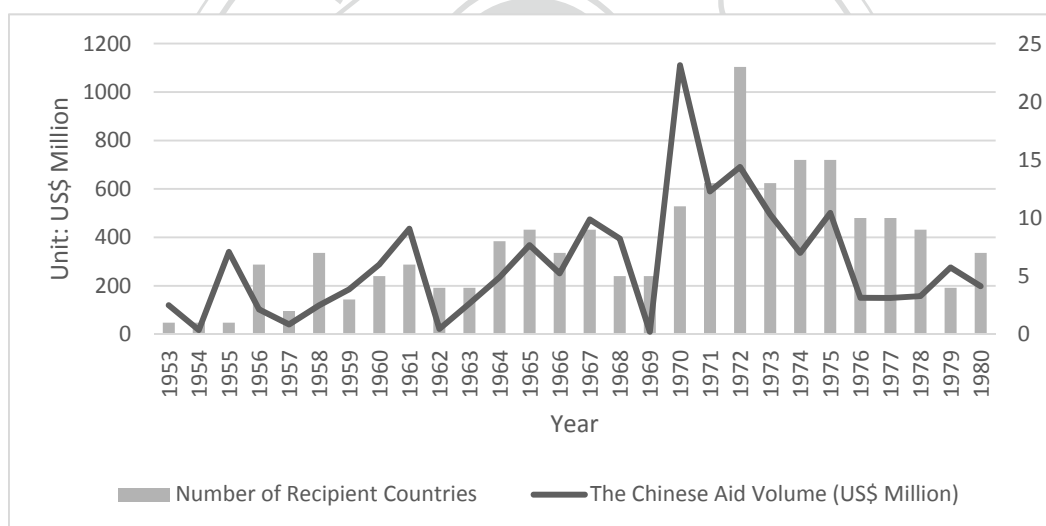


Figure 2- 1: China’s Aid Volume from 1953 to 1980

Source: Teh-Chang Lin, “Beijing’s Foreign Aid Policy in the 1990s: Continuity and Change,” *Issues and Studies*, Vol. 32 No. 1 (1996), pp. 32-56.

In sum, there are three major findings by comparing China’s normative guidance from 1950 to 1977 with China’s foreign aid behaviors in the same period. First, China’s normative guiding principles had influenced China’s aid behaviors. Second, China’s foreign aid was conducted mainly for the China’s diplomatic interests and the foreign

⁶⁴ USC US-China Institute, “United Nations General Assembly Resolution 2758,” *USC US-China*, Institute <https://china.usc.edu/sites/default/files/legacy/AppImages/1971-UN-China-seating.pdf>

⁶⁵ USC US-China Institute, “United Nations General Assembly Resolution 2758.”

aid expenditures were fluctuated with China's involvement with major international events. Third, most of the Chinese aid delivered to either socialist countries or developing countries from 1950 to 1977 were interest-free loans, low interests loans and grants. These interest-free loans and grants could be categorized as ODA because they contained at least 25% of the grant proportion. This indicates a co-relation between the provision of ODA and the orientation of diplomatic interests.

2.3 Normative Guidance of Chinese Aid, 1978-2000

The normative guiding principles of Chinese aid from 1978 to 2000 had made a deviation from the previous years in terms of its aid policy orientation. China's foreign aid was still serving for China's national interests; however, it was more of economic interests, rather than diplomatic interests. Chinese aid activities started from the year of 1978 onwards were more rational and economic-driven.

2.3.1 Prioritizing the Economic Development

With Deng Xiaoping's pragmatic policy of opening up, China's foreign aid has been prioritizing the economic development in aid projects. Since then, it has become a guiding principle of China's foreign aid for using aid as a catalyst of trade and investment.

Deng Xiaoping's pragmatism making China a concurrent donor and recipient

With respect to the 3rd Plenary Session of the 11th Central Committee of the Communist Party of China held on December 18, 1978, not only the collective leadership of Central Committee of the Communist Party of China had acknowledged Deng Xiaoping as the core leader, China's ideological struggle of Maoist radicalism

was shifted to a pragmatic policy of economic construction-oriented opening up.⁶⁶ Deng Xiaoping stated that China shall concentrate on economic development and bring in foreign investments, resources and advanced technologies.⁶⁷ Since then, China has commenced full implementation on economic reform and to be engaged with international platform, which has had enormous impact on China's foreign aid mechanism.

By making a full use of international resources, Deng's pragmatic opening up policy enables China to take full advantages of foreign capitals, investments and loans as well as the opportunities to acquire advanced technology, equipment and knowhow. With respect to a drafted Chinese State Council report on "Some issues in Accelerating Industrial Development," a number of pragmatic planning had been mapped out before 1978, including to expand the volume of import and export, to bring in new technologies and new equipment from foreign countries and improve productivity, to sign long-term contracts with foreign countries and to introduce foreign technology for mining industry and to pay the foreign enterprises with coal.⁶⁸ Besides opening up the channel for the inflow of foreign resources, China started to actively participate in the international organizations such as the admission to United Nations Population Fund (UNFPA), The United Nations Children's Fund (UNICEF), World Food Programme (WFP) and World Bank (WB) and acquired a large amount of multilateral aid and resources.⁶⁹

⁶⁶ People's Daily Online, "Third Plenary Session of 11th Central Committee of CPC held in 1978," *China Daily*, October 29, 2008, http://www.chinadaily.com.cn/business/2008-10/29/content_7169033.htm

⁶⁷ Ian Taylor, *China and Africa: Engagement and Compromise* (New York: Routledge, 2006), p. 49.

⁶⁸ 中共中央文獻研究室,〈鄧小平思想年譜〉, (北京, 中央文獻出版社, 1998年), 頁 10-11。

⁶⁹ 熊厚,〈中國對外多邊援助的理念與實踐〉,《外交評論》, 2010年 第 5期, 頁 53。

Acting according to the capability

In the late 1970s, due to the enlarged diplomatic relations and increased aid recipient countries, China was exhausted about the aid deployment for diplomatic and ideological purposes. China's foreign aid provision from 1971 to 1978 included 470 projects over 37 countries and accounted 59% of the total expenditure of the previous 21 years.⁷⁰ The greatest expansion of foreign aid expenditure took place from 1972 to 1975 with an average spending of US\$ 560 million per year for foreign aid project.⁷¹ It was estimated that during the years from 1971 to 1975, China's government spending of foreign aid averaged 6.3% of the total central government expenditure and it peaked at the 7.2% of the total government spending in 1973 with a total of CNY 5.5 billion.⁷² Given such high proportion of aid spending on aid projects that were in lack of economic incentive and interests, China was under pressure to push a reform and reduce the aid expenditure. Hence, the average annual foreign aid spending was reduced to a total of US\$ 150 million from 1976 to 1978.⁷³ This decreased volume of aid expenditure was a signal for the aid policy reform of acting according to the capability in the late 1970s. Therefore, China's foreign aid policy was on a path of more rational and economic-centered direction in addition to Beijing's independent foreign policy.

⁷⁰ Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," in Goran Hyden and Rwekaza Mukandala eds. *Agencies in Foreign Aid: Comparing China, Sweden and the United States in Tanzania* (New York: Macmillan Press Ltd, 1999), pp. 156-201.

⁷¹ 林德昌,《海峽兩岸援外政策之比較研究》,(台北:成文,民國88年),頁236。

⁷² Alternative estimation of average aid spending from 1971 to 1975 was an annual averaged 10% of the total central government expenditure and it peaked at the 12.43% in 1973. Please see 〈中共中央、國務院關於合理安排對外援助的決定〉,《中國文化大革命文庫》,1975年4月23日,<https://ccradb.appspot.com/post/800>; 傅道鵬,《官方發展援助(O D A)研究》,財政部財政科學研究所,2003年,頁85。

⁷³ 林德昌,《海峽兩岸援外政策之比較研究》,(台北:成文,民國88年),頁236。

2.3.2 Zhao Ziyang's Four Principles in 1982

Zhao Ziyang's Four Principles governing Sino-African Economic and Trade Cooperation is an extension of Zhou Enlai's Eight Principles, but with more emphasis on the economic benefits. The normative guiding structure of Chinese aid in the 1980s had evolved from an ideological consideration to a rational calculation of economic benefits. While there were still diplomatic concerns in foreign aid deployment, the economic development was the key objective. In other words, China would no longer deliver a large aid project without any concrete economic benefits like the Tanzania-Zambia Railway just because of foreign policy concerns. It is expected that with this normative guidance, which is driven by economic interests, the proportion of the grant-based ODA and commercially driven OOF would be readjusted in the package of China's foreign aid.

The principles

Three months after China's 12th CPC Congress in September 1-11, 1982, in which Beijing announced its independent foreign policy and a core orientation of economic development, the Chinese Prime Minister Zhao Ziyang embarked a state visit to 10 African nations (including Egypt, Algeria, Morocco, Guinea, Zaire, Congo, Zambia, Zimbabwe, Tanzania and Kenya) from December 20, 1982 to January 17 1983 and proclaimed the "Four Principles Governing Sino-African Economic and Technical Cooperation."⁷⁴ These four principles are:⁷⁵

- (1) In carrying out economic and technological cooperation with African countries, China gives strict adherence to the principles of unity and friendship, equality and

⁷⁴ South African Institute of International Affairs (SAIIA), *The China–Africa Toolkit: A resource for African policymakers* (Braamfontein: South African Institute of International Affairs, 2017), p. 21.

⁷⁵ Xuetong Yan, "Sino-African Relations in the 1990s," *CSIS Africa Notes* No. 84 (1988), p. 4.

mutual benefit, respects their sovereignty and does not interfere in their internal affairs, attaches no political conditions and asks for no privileges whatsoever.

- (2) In China's economic and technological cooperation with African countries, not only the actual needs of both sides will be highlighted, efforts will be made to achieve good economic results with less investment, shorter construction cycles and quicker returns.
- (3) China's economic and technological cooperation with African countries takes a variety of forms in line with the local specific conditions, such as offering technical services, training technical and management personnel, engaging in scientific and technological exchanges, undertaking construction projects, and entering into cooperative production and joint ventures. For the agreed cooperative projects, the Chinese side will carry out the obligation of the signed contract, guarantee the quality of work and enjoy no special treatment among the dispatched Chinese personnel.
- (4) The purpose of China's economic and technological cooperation with African countries is to contribute to the enhancement of the self-reliant capabilities and growth of both sides by complementing each other.

In short, the essential keywords of the principles are economic and technological cooperation based on equality and mutual benefits, efficiency and practical results, means of cooperation that is pursuant to the agreed and signed contract, and complementation of common growth and self-reliant capabilities.

Supplementing Zhou Enlai's Eight Principles with Profitability

Zhao Ziyang's Four Principles in 1982 aimed to supplement Zhou Enlai's Eight Principles announced in 1964 with an economic emphasis on mutual benefits and a

variety of economic technological cooperation, especially the joint venture. Even though the concept of mutual benefit was introduced in Zhou Enlai's Eight Principles, when Zhou Enlai stated that Chinese aid should not be a unilateral grant, but as mutual help, the concrete economic interests of reciprocity had never been fulfilled because foreign policy goals were much more critical than economic development from 1950s to 1960s. Zhou Enlai's Eight Principles were emphasizing more on the political and ideological message that China is not a wealthy donor, but an equal partner that belongs to the Third World. In contrast, Zhao Ziyang's Four Principles were highlighting the actual benefits, means and common needs of mutual cooperation in economics and technology. Zhao even mapped out the types of cooperation that could engender mutual economic interests, such as technical services, personnel training, scientific and technological exchanges, construction projects, and the cooperative production and joint ventures. More importantly, China emphasized the fact that all the cooperative economic activities are conducted in line with the obligation of signed agreements between China and African countries. It indicates the significance of equality and partnership, because African countries were not forced to cooperate with China.

Be cautious of large aid projects without economic benefits

Zhao Ziyang's Four Principles gave a clear message in the 1980s that the implementation of large Chinese aid projects with no profitability like the Tanzania-Zambia Railway was no longer feasible. In an Interview with *Jeune Afrique*, a French-language pan-African weekly news magazine held in 1983, Chinese Vice-Foreign Minister Gong Da-fei said that China has great interests with the Third World, especially with the African countries.⁷⁶ However, China would be very cautious of the

⁷⁶ Central Intelligence Agency, "Chinese Military and Economic Programs in the Third World: Growing Commercial Emphasis," *Central Intelligence Agency* May 1, 1984,

large aid projects such as Tanzania-Zambia Railway, because China was going to reduce the foreign aid expenditure and modify the nature of Chinese aid. The goal was to offer modest development projects which have rapid returns and China would not restrict itself from making profits out of foreign aid projects.

2.3.3. Wu Yi's Grand Strategy of Economy and Trade in 1994

Wu Yi's Grand Strategy of Economic and Trade in 1994 was the milestone that changed the entire implementation of Chinese aid and reinforced China's capability of using foreign aid as a catalyst for the promotion of trade and investment abroad. In 1994, Wu Yi, the Minister of Foreign Trade and Economic Cooperation decided to integrate foreign aid with various economic cooperation tools including foreign direct investment, overseas construction projects, labor services, Chinese concessional loan and import and export.⁷⁷ Along with the establishment of the Export-Import Bank of China (China Exim Bank) in 1994, China's foreign aid projects had entered into a new stage that was no longer composed mainly by the ODA orientated interest-free loans and low interest loans without economic benefits but incorporated with OOF orientated government-subsidized concessional loans and economic incentives. In other words, China's concessional loans policy was the foundation for China's OOF in nowadays.

The Trinity of Foreign Aid, Investment and Trade

Wu Yi's Grand Strategy of Economy and Trade in 1994 has embodied a trinity of foreign aid, investment and trade to boost bilateral economic development between China and its aid recipients.⁷⁸ Even though the idea of mutual benefit has been

<https://www.cia.gov/library/readingroom/docs/CIA-RDP85T00283R000600020004-6.pdf>

⁷⁷ Wang Ping, "The Chinese View: Reflection of the Long-Term Experiences of Aid Receiving and Giving," eds. Yasutami Shimomura and Hideo Ohashi, *A Study of China's Foreign Aid: An Asian Perspective* (New York: Palgrave Macmillan, 2013), pp. 125-144.

⁷⁸ This is similar to Japan's aid philosophy of taking as economic cooperation for a synergistic economic

stipulated in China's normative guidance of foreign aid since Premier Zhou Enlai's Eight Principles for Economic Aid and Technical Assistance to Other Countries in 1964, China's foreign aid deployment was driven by the Third World ideology that had serviced foreign policy goals rather than practical economic interests before 1978. After the opening and reform policy in the late 1970s, China was aiming at pragmatic means of joint venture and compensation trade for gaining economic interests in the 1980s. The 3rd Plenary Session of the 11th CPC Central Committee clearly declared that on the basis of self-reliance, China should develop economic cooperation characterized by equality and mutual benefits with the countries over the world and strive to adopt the world's advanced technology and equipment.⁷⁹ However, China was not capable of conducting a profit-driven projects abroad because it lacked advanced technologies, skills, knowhow and policies to take initiative. It was not until the 1990s, the economic opportunities of collaboration were more feasible and mature. During a national foreign trade working meeting held on September 2, 1991, Minister of Foreign Economic Relations and Trade Li Lanqing (predecessor of Wu Yi) stated that it is necessary to combine foreign aid with economic and technological cooperation and to assist the economic development of recipient countries.⁸⁰ In February 1993, Li Lanqing was proposing to enhance the bilateral investment via the employment of Chinese loan during an opening ceremony of Sino-Cameroonian Conference on Economic Cooperation.⁸¹ Li Lanqing said that with the injection of Chinese loan, the scale of

development with the partner country that includes private investment and trade. It is referred in literature as the "trinity" (sanmi-ittai) of aid, investment and trade. Please see Sakiko Fukuda-Parr and Hiroaki Shiga, "Normative Framing of Development Cooperation: Japanese Bilateral Aid between the DAC and Southern Donors," *JICA-RI Working Paper* No. 130, JICA Research Institute (2016), https://www.jica.go.jp/jica-ri/publication/workingpaper/jrft3q00000631o-att/JICA-RI_WP_No.130.pdf

⁷⁹ CCCPC Party Literature Research Office, *Compilation of Important Documents since the Third Plenary Session* (Beijing: People's Publishing House, 1982), p. 5.

⁸⁰ 李嵐清,〈關於對外經濟貿易工作落實十四大精神的幾個問題〉,《中國對外經濟貿易年鑒(1993年)》(北京,中國社會出版社,1993年)

⁸¹ 張熾鑫,〈貫徹援外新方針,開拓援外新局面〉,《中國對外經濟貿易年鑒(1994~1995年)》, (北京,中國社會出版社,1994年),頁62。

economic cooperation could be greatly expanded and joint ventures for export to the third country are feasible with joint management.⁸² When attending an International Symposium of China's Foreign Trade Strategy on May 11, 1994, Wu Yi, successor to Li Lanqing proclaimed the Grand Strategy of Economy and Trade, meaning that China's foreign economic relations should be in accordance with trade of import and export, cooperation of goods, capital, technology and labor, as well as manufacturing, technology and finance.⁸³ More importantly, Chinese aid was taken as a catalyst to stimulate foreign trade and investment for Chinese enterprises.⁸⁴

Strengthening China's foreign aid projects with government-subsidized loans

It was clear that grant-based, non-profit conventional foreign aid was unable to realize the mutual economic development effectively. To break the restrained framework, Wu Yi's Grand Strategy of Economy and Trade further pushed the Chinese aid reform by improving the budget planning via government subsidized loan, granting financial autonomy of implementation to enterprises and exploring more ways of business-orientated development assistance.⁸⁵ On May 16, 1995, China's State Council introduced a document entitled "On the Issues Related to Foreign Aid Reform Approval," which aimed to expand the scale of government-subsidized loan in foreign aid, to target on small and medium-sized production projects as priority, to promote joint ventures in foreign aid deployment and to collect and combine the available funds from foreign aid projects and state-owned enterprises for the preparation of launching China's concessional loan.⁸⁶ A national conference of foreign aid reform was held on

⁸² *Ibid.*

⁸³ 吳儀，〈機遇與前景：90年代中國對外經貿發展的基本構想〉，《中國商務年鑒》，1995年。；吳克剛，〈中共第一女強人一吳儀〉，（香港，香港文化藝術出版社，2005年），頁117。

⁸⁴ Zhangxi Cheng and Ian Taylor, *China's Aid to Africa Does Friendship Really Matter?* (London: Routledge, 2017), p. 47.

⁸⁵ *Ibid.*

⁸⁶ 中華人民共和國商務部，〈商務大事記1995年〉，《商務歷史》，

October 17, 1995, Vice Premier Zhu Rongji announced that the government is going to facilitate foreign aid finance and to support Chinese enterprises to go to Africa and perform cooperation of all sectors.⁸⁷ Zhu Rongji made clear that the goal is to have more marketable and profitable cooperation opportunities between China and recipients' enterprises.⁸⁸

To sum up, Wu Yi's Grand Strategy of Economy and Trade has brought forward a strategic combination of foreign aid, trade and investment, shifting the aid deployment from the previous one-way orientated practice to mutually beneficial cooperation on both sides. China's foreign aid was officially becomes an essential part of China's global network of trade and investment. Furthermore, the collaboration between foreign aid task and financial institutions provided more budget and financial support for China's aid implementation.

2.3.4 The Going Global Strategy

In addition to Wu Yi's Grand Strategy of Economy and Trade in 1994 and the relaxation on China's state financial momentum to support joint ventures of Chinese and foreign enterprises, the "Going Global" policy was officially declared in the year 2000 to encourage Chinese enterprises to go into the global market to make cooperation and investment and to strengthen their international competitiveness.

Pushing Chinese enterprises to go abroad

During the Third Session of the Ninth National People's Congress (NPC) in 2000,

<http://history.mofcom.gov.cn/?newchina=%E5%95%86%E5%8A%A1%E5%A4%A7%E4%BA%8B%E8%AE%B01995%E5%B9%B4>。

⁸⁷齊國強，〈在新形勢下進一步改革援外工作〉，《國際經濟合作》，1995 年第 11 期，頁 4。

⁸⁸ *Ibid.*

Premier Zhu Rongji declared that China should open wider to the outside world, especially targeting on the emerging markets in Africa, Latin America, Eastern Europe, etc. and to push Chinese enterprises making investments and setting up factories abroad.⁸⁹ Zhu Rongji explicitly said that China's enterprises need to be engaged in "processing trade and exploit natural resources through cooperative agreements."⁹⁰ Chinese President Jiang Zemin also stated that China needs to implement the "Going Global" strategy by integrating the policies of "Bringing in" and "Going Global" for a better enhancement of domestic and foreign resources and domestic and foreign markets.⁹¹

Expanding China's overseas investment and joint ventures

The finalized formation of "Going Global" policy took place in the 5th Plenary Session of the 15th Central Committee of the Communist Party of China held on October 9-11, 2000 when an official document entitled "the Proposal of the CPC Central Committee for Formulating the 10th Five-Year Plan for National Economic and Social Development" had been passed.⁹² In this State's proposal, it explicitly announced that China is going to launch going global policy in order to expand overseas investment and joint ventures.⁹³ It also granted more autonomy to enterprises for making Chinese enterprises more market-orientated and competitive in the international market.⁹⁴ In the Fourth Session of the Ninth NPC on March 5, 2001,

⁸⁹ Zhu Rongji, "Report on the Work of the Government (2000)," *The National People's Congress of the People's Republic of China*, March 3, 2010, http://www.npc.gov.cn/englishnpc/Special_11_5/2010-03/03/content_1690619.htm

⁹⁰ *Ibid.*

⁹¹ 中國國際貿易促進委員會經濟資訊部,〈我國“走出去”戰略的形成及推動政策體系分析〉,《中國貿促會“走出去促進計畫”調研資料》,2007年1月,頁6。

⁹² 朱鎔基,〈關於制定國民經濟和社會發展第十個五年計劃建議的說明〉,《中國政府網》,2000年10月9日, http://www.gov.cn/gongbao/content/2000/content_60547.htm

⁹³ *Ibid.*

⁹⁴ *Ibid.*

Premier Zhu Rongji reiterated the significance of going global strategy by highlighting on the joint operations of foreign resource, international engineering projects and the export of labors.⁹⁵ As a result, the real expansion of China's global foreign aid footprints were started from the year of 2000 onwards.

2.3.5 Evaluation: Foreign Aid Served for Economic Development from 1978 to 2000

China's foreign aid behaviors from 1978 to 2000 had transformed from political appointed tasks to a profit-driven catalyst for trade and investment between China and aid recipient countries. It is due to the readjusted normative guidance of Chinese aid evolved from a political interest driven trajectory to an economic interest orientated trajectory. There are three major findings of the Chinese aid behaviors reflected the rational, economic and adjustable normative guiding principles of Chinese aid.

Becoming more rational and profit-seeking

In contrast to the ideology-driven aid implementation, China's foreign aid commitment started from the 1978 onwards has been conforming to the domestic economic reform of pragmatism. Therefore, in line with the economic reform policy, the foreign aid spending declined in the late 1970s and early 1980s. Table 2-2 shows that China's total estimated foreign aid spending was totaled US\$ 661 million from 1970 to 1975, which outweighed the aid spending from 1953 to 1960, 1961 to 1969 and 1976 to 1980.⁹⁶ After the launch of China's economic reform in the late 1970s, China's aid spending declined to a total of US\$ 263 million from 1976 to 1980.

⁹⁵ Zhu Rongji, "Report on the Outline of the Tenth Five-Year Plan for National Economic and Social Development," *The State Council of the People's Republic of China*, March 5, 2001, http://www.gov.cn/english/official/2005-07/29/content_18334.htm

⁹⁶ Samuel S. Kim, *The Third World in Chinese World Policy* (Princeton, N.J.: Center of International Studies, Woodrow Wilson School of Public and International Affairs, 1989), p. 38.

However, even though China was curtailing its aid spending in the late 1970s, the amount of expenditure from 1976 to 1980 was still higher than the spending from 1953 to 1960. It was because China's was facing an international isolation and had few diplomatic allies demand foreign aid projects before 1960s. With more and more countries established formal diplomatic ties with China in the 1960s and 1970s, China had a rapid growth of aid spending to the point that it had created financial burden in the domestic society. When the ideational structure of Chinese aid readjusted from a diplomatic concern to economic calculation, China's foreign aid volume in the late 1970s had become more rational with less spending compared to the period from 1970 to 1975.

Table 2- 2: The Average Volume of Chinese Aid from 1953 to 1980
(Unit: US\$ Million)

Region	Year			
	1953-1960	1961-1969	1970-1975	1976-1980
Africa	4	46	319	94
Asia	160	172	310	160
Europe	N/A	N/A	8	6
Latin America	8	4	24	3
Oceania	N/A	N/A	N/A	N/A
Total	172	222	661	263

Source: Samuel S. Kim, *The Third World in Chinese World Policy* (Princeton, N.J.: Center of International Studies, Woodrow Wilson School of Public and International Affairs, 1989), p. 38.

Another reason to explain the more rational and profit-seeking foreign aid spending after 1978 is demonstrated in the Figure 2-2. There was a sudden declining slope from 1979 to 1981 showing a pragmatic turn of China's foreign aid behaviors. The average Chinese aid volume received by each recipient from 1981 to 1991 was no more than US\$ 10 million per year, except the year of 1984, 1986 and 1987. Nevertheless, the increased Chinese aid recipients was a critical factor to push the normative guidance

shifted towards the “acting according to its capability” principle. China only had 4 recipients of aid in 1979, followed by 7 recipients in the 1980 and 10 recipients in 1982.⁹⁷ By the year of 1985, China’s aid recipient countries were increased to a total of 35 and it kept going up to a total of 43 recipients in 1990, followed by a total of 44 recipients in 1992.⁹⁸ Given such enlarged recipient countries of Chinese aid in the early 1990s, not only China had to be more practical and calculative about the aid spending, so that it did not create enormous financial burden. This indicates that China’s foreign aid was influenced by the donor’s interests of economic calculation. Furthermore, it paved the way for Beijing to reform the aid implementation, because with a large number of aid recipients, China cannot afford the aid expenditure if the foreign aid was mainly in forms of grants, interest-free loans and low-interest loans. In other words, China had to change the proportion of ODA in its aid package in the late 1990s by lowering the percentage of ODA and raising the percentage of OOF. And this has changed the entire landscape of China’s foreign aid from the year of 2000 onwards.

⁹⁷ Teh-Chang Lin, “Beijing’s Foreign Aid Policy in the 1990s: Continuity and Change.”

⁹⁸ *Ibid.*

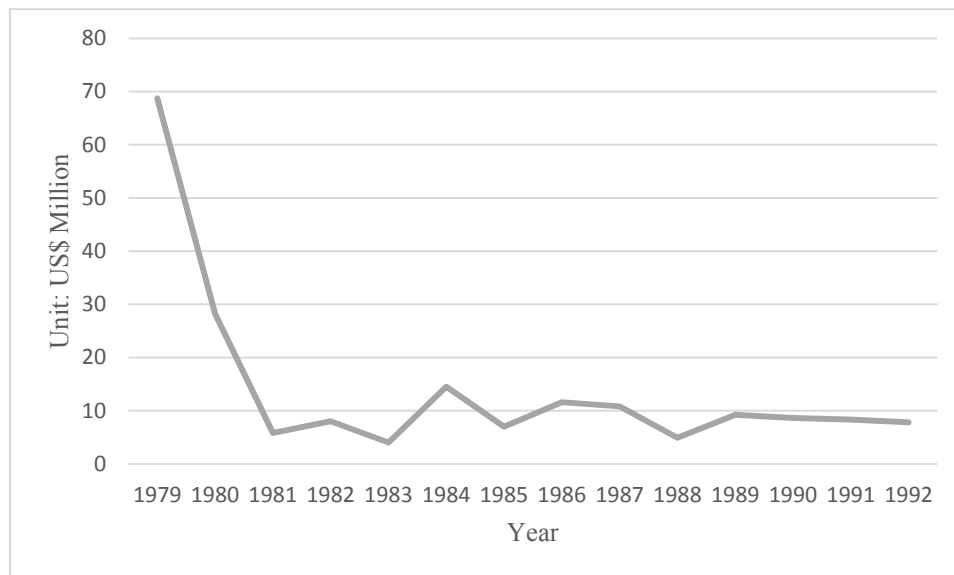


Figure 2- 2: The Average Amount of Chinese Aid Received by Single Recipient, 1979-1992 (US\$ Million)

Source: Author adapted from Teh-Chang Lin, "Beijing's Foreign Aid Policy in the 1990s: Continuity and Change," *Issues and Studies* Vol.32 No.1 (1996), pp. 32-56.

Lack of means to boost the economic momentum before the mid-1990s

China's foreign aid projects are closely related to the capability of Chinese overseas enterprises, because these enterprises are the project executors in aid recipient countries. Despite the fact that China's normative guidance of aid projects had shifted toward a more economic benefits seeking trajectory after 1978, it was not until the mid-1990s that China had finally figured out a way to boost its economic development via the trinity of aid, trade and investment under Wu Yi's policy. It means that there was a period of time (from 1878 to the mid-1990s) that China had the vision of pursuing economic interests via foreign aid, but lacked efficient measures to realized the goals. We can see that despite China's growing economic ambition displayed in the surge of overseas enterprises, the capacity to complete the overseas contracted projects was still lacking (see Figure 2-3). There were only 13 registered Chinese overseas enterprises in 1982 and the number soon increased more than double in 1984. In 1987, there were 124 Chinese overseas enterprises. In 1991, the number

of Chinese overseas enterprises was 207. Based on the growth of China's registered overseas enterprises, China's intention of conducting overseas projects and business was manifest. However, if we examine the number of the completed overseas projects done by the Chinese companies, we would find out that the condition was not mature enough. Figure 2-3 shows that China's enterprises averagely completed 36 overseas projects annually from 1979 to 1983. From 1984 to 1992, the average number of the completed overseas projects was 32. It displays that despite the growth of Chinese overseas enterprises, it was still challenging for Chinese overseas enterprises to conduct projects abroad.

The incongruity between the expanded overseas Chinese enterprises and inactive performance of overseas aid projects displays a fact that although Beijing had a clear policy vision to promote economic development via foreign aid projects conducted by overseas enterprises since early 1980s, it was not until the mid-1990s that overseas Chinese enterprises were finally capable of undertaking the profit-seeking foreign aid projects in a substantial quantity. There are three reasons explaining this period of time when the profit-seeking vision was clear, but the capability of aid project delivery was lacking behind. First, prior to 1993, Chinese overseas enterprises were mostly extension of China's governmental bureaus of provinces and cities. The enterprise did not enjoy a full autonomy and responsibility of project implementation. Therefore, the enterprises were holding back because of their status and the not yet de-centralized system of aid implementation. Second, even though there was a growth of Chinese overseas enterprises, most of these enterprises were lacking experience of negotiating and conducting overseas projects. It takes time to learn to conform to the international standard and the rules and the ropes in the recipient countries. Thirdly, the risks and financial support were major concerns. It is risky to make a business deal with

developing countries in the Sub-Saharan Africa, because the recipients might not be able to make the repayments. These enterprises need a financial system that can back or securitize the overseas projects. As result, the policy of government-subsidized concessional loan was launched in 1994 to lower the risks of being default and provide financial support to the Chinese enterprises completing projects abroad.

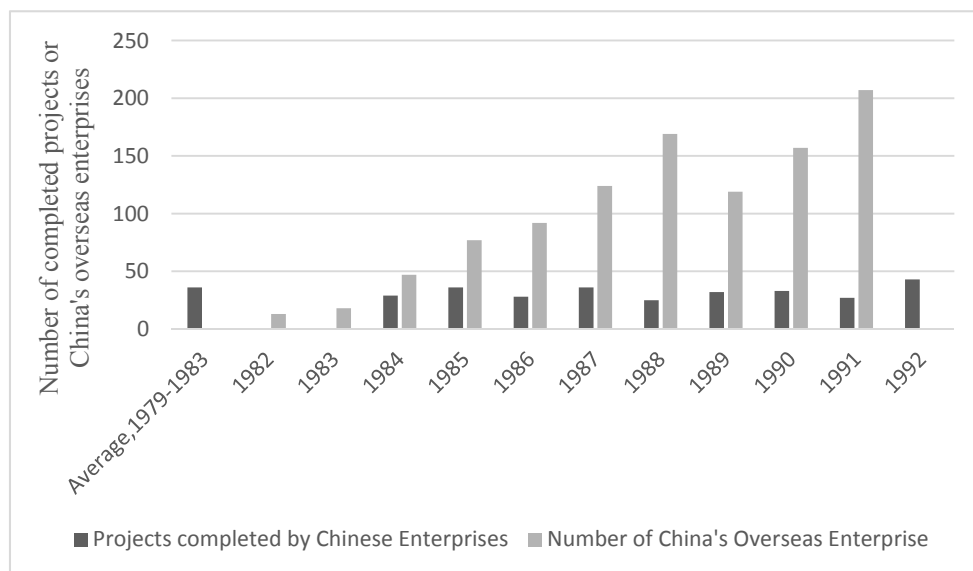


Figure 2- 3: Projects Abroad Completed by China's Enterprises and Growth of Chinese Overseas Enterprises, 1979 to 1991

Sources: Author adapted from Teh-Chang Lin, "Beijing's Foreign Aid Policy in the 1990s: Continuity and Change," *Issues and Studies* Vol.32 No.1 (1996), pp. 39; Xiuping Zhang and Bruce P. Corrie, *Investing in China and Chinese Investment Abroad* (Singapore: Springer Nature Singapore, 2018), p.130.

Wu Yi's Grand Strategy of Economy and Trade has made a difference

With the launch of Wu Yi's Grand Strategy of Economy and Trade in 1994, China's foreign aid policy had officially transformed into a strategic trinity of aid, trade and investment in the early 1990s supported by the government-subsidized concessional loans provided via the Export-Import Bank of China. With the widely adaptation of China's concessional loan, the figures of Chinese aid commitment and overseas investments and joint projects were all on a surge. China's overseas enterprises

were more confident to take risks in developing countries and conduct profit-seeking aid projects, because their overseas projects are securitized by the government-subsidized concessional loans. In addition, China's foreign aid volume was totaled CNY 1.56 billion in 1990 and it soon expanded to a total of CNY 2.8 billion in 1994 (see Figure 2-4). In 2000, Chinese aid commitment had reached CNY 4.5 billion, which was three times more than the amount in 1990. The foreign aid volume reached CNY 5 billion in 2002, followed by a total of CNY 5.2 billion in 2003. In sum, China's foreign aid volume was less than CNY 1 billion in 1979 and had enlarged five times within 24 years and reached CNY 5.2 billion in 2003. It is found that the expansion of Chinese aid volume from the year of 1994 onwards was because of Wu Yi's policy of combining aid, trade and investment via an adaptation of concessional loan policy. From 1979 to 2000, China's foreign aid behaviors were guided by the economic driven and pragmatic ideational sources and embedded within the domestic economic policy.

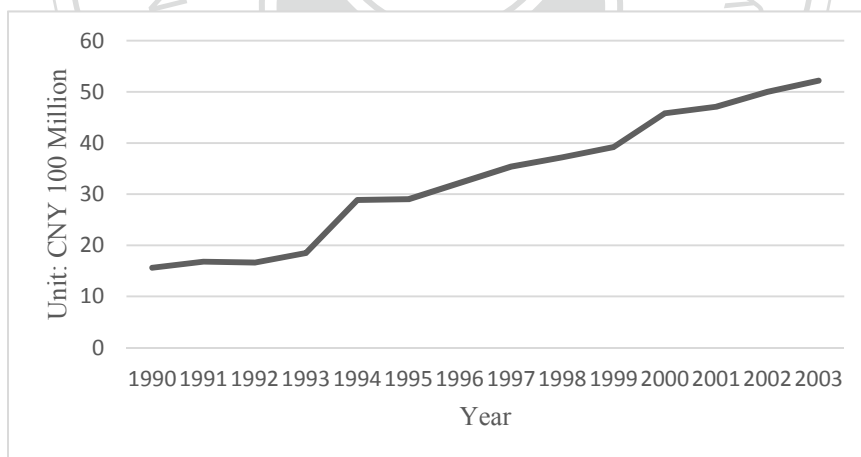


Figure 2- 4: Chinese Aid Volume form the Year of 1990 Onwards

Source: 張郁慧,「中國對外援助研究」(北京, 中共中央黨校博士論文, 2006 年), 頁 166。

In sum, China's normative guiding principles from 1978 to 2000 have four distinctive characteristics, which had been reflected in China's foreign aid behaviors. First, it had shifted the trajectory from ideological and diplomatic consideration to an

economic interests driven calculation of rationality and profitability. Second, it has inherited the principles of equality and mutual benefits to regard foreign aid as a bilateral cooperation instead of a unilateral provision from the Five Principles of Peaceful Coexistence and Eight Principles for Economic Aid and Technical Assistance. Third, before Wu Yi's policy to integrate foreign aid with concessional loans in 1994, China's aid projects were lacking means to expand the scale and increase the economic profitability. That means even though the concept of mutual benefits has been long existed in the normative structure of Chinese aid, it was not until the year of 1994 that China was finally equipped with the trinity of aid, trade and investment and able to carry out mutual economic benefits. All in all, the interests of China's foreign aid projects were mainly aimed at economic developments, rather than political or diplomatic influences from 1978 to 2000.

2.4 Normative Guidance of Chinese Aid, 2000-2017

The normative guiding principles of Chinese aid from 2000 to 2017 have shared a continuous orientation of economic development since the 1980s. Since China needs a peaceful, favorable and stable environment to fully pursuit economic development via foreign aid cooperation from the year of 2000 onwards, peaceful development has become the leading normative structure of China's foreign aid. With the launch of FOCAC, the official speeches and documents also play a part in shaping the ideational structure of Chinese aid. China's foreign aid to Sub-Saharan Africa has been deepened and integrated with a variety of sectors via the mechanism of FOCAC. While there are diplomatic and political objectives, economic development is still the leading area of focus for Chinese aid. Furthermore, in the FOCAC Johannesburg Action Plan (2016-2018), Beijing had officially incorporated the concept of Ocean Economy and the 21st

Century Maritime Silk Road into the FOCAC plans for the first time despite the fact that the infrastructure of African ports, marine environment research and resources have always remained on China's aid agenda of Africa's development.⁹⁹ It indicates that Xi Jinping's "Belt and Road Initiative" (BRI) has also become essential to the ideational structure of Chinese aid. In addition, the BRI seems to be an enlarged and extended version of China's Going Global strategy in the 21st century to further promote Chinese enterprises to go into the global market and to make cooperation with foreign enterprises and investments. To put it another way, the essence of the BRI is rooted in Wu Yi's Grand Strategy of Economic and Trade in 1994, which has become the basis of China's foreign aid in the 21st century.

2.4.1 Peaceful Development and Aid Relations

Peaceful development is the most significant normative principle of Chinese aid from the year of 2000 onwards. It directs China's aid behaviors both bilaterally and multilaterally. China has become more confident and more willingly to be integrated with the multilateral platform of international cooperation.

Articulating peaceful development in multilateral cooperation

Holding up high the banner of peaceful development had been one of the central policies for Hu Jintao's government to stabilize and expand international relations for China's economic interests and development, especially in multilateral platforms. Besides the maneuver of bilateral engagements, China has been devoted in developing multilateral arrangement since the late 1990s. Vice-Chair of the Mosaic Institute's

⁹⁹ Ministry of Foreign Affairs, the People's Republic of China, "The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018)," *Ministry of Foreign Affairs*, December 10, 2015, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1323159.shtml

Board of Directors James P. Muldoon Jr. had observed that China's international cooperation behaviors after 2001 underscored a policy shift in foreign policy towards multilateralism with a rising sense of self-confidence.¹⁰⁰ Beijing has not merely participating in the existing multilateral institutions such as WTO and ASEAN Regional Forum (ARF), but it has established new multilateral platforms of its own with the developing world including Shanghai Cooperation Organization (SCO), China-Caribbean Economic and Trade Cooperation Forum (CCETCF), China-Arab States Cooperation Forum (CASCF), Cooperation between China and Central and Eastern European Countries (CEEC), the FOCAC, etc.¹⁰¹

When participating in international activities multilaterally such as the weapons control, combating terrorist threats or the peacekeeping operations, Beijing has been taking a more active role as a responsible major power, making efforts in the multilateral cooperation.¹⁰² In a White Paper entitled "China's Peaceful Development Road" issued on December 22, 2005, the State Council Information Office of China made clear that China has pushed forward to participate in the multilateral economic and trade relations and regional economic cooperation, support the multilateral trade system and advocate for multilateralism in the context of peaceful development.¹⁰³ When attending international cooperation, Chinese officials would always emphasize China's peaceful development. For instance, Wang Chen, the Minister of the Information Office of the State Council of China, made a speech entitled "A Vision of

¹⁰⁰ James P. Muldoon Jr., "The Impact of 9/11 on Chinese Regional Security Cooperation," *China Brief*, Vol. 4, No. 12 (2004), <https://jamestown.org/program/the-impact-of-911-on-chinese-regional-security-cooperation/>

¹⁰¹ 中華人民共和國外交部，〈國際和地區組織〉，《中華人民共和國外交部》，https://www.fmprc.gov.cn/web/gjhdq_676201/gjhdqzz_681964/

¹⁰² Xiaoxiong Yi, "Chinese Foreign Policy in Transition: Understanding China's Peaceful Development," *The Journal of East Asian Affairs*, Vol. 19, No. 1 (2005), p. 92.

¹⁰³ The State Council Information Office of China, "White Paper: China's Peaceful Development Road," *The State Council Information Office*, December 22, 2005, <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN023152.pdf>

China's Peaceful Development and World Harmony" in a World Forum on China Studies and claimed that peaceful development is rooted in the traditional Chinese culture.¹⁰⁴ Nevertheless, the classical elaboration of China's peaceful development is Hu Jintao's statement when he addressed to the National Assembly in the Nigerian capital of Abuja on 27 April. Hu declared that China will develop itself by maintaining a peaceful international environment, and its own development and China will hold high the banner of peace, development and cooperation, pursue an independent foreign policy of peace, peaceful development and continue the opening-up strategy for mutual benefit and win-win cooperation.¹⁰⁵

Peaceful Development and Chinese Aid

On September 6, 2011, China's Information Office of the State Council issued the second White Paper on China's Peaceful Development and outlined the mutual relationship between Chinese aid and peaceful development.¹⁰⁶ The White Paper defines China's peaceful development as the following points:

- (1) China should uphold world peace and contribute to world peace through its own development.
- (2) China should achieve development with its own efforts by carrying out reform and innovation.
- (3) China should open itself to the outside and learn from other countries.
- (4) China seeks mutual benefit and common development with other countries in

¹⁰⁴ Wang Chen, "A Vision of China's Peaceful Development and World Harmony," *The World Forum on China Studies*, November 5, 2010,

<http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan043035.pdf>

¹⁰⁵ Ling Zhu, "Hu presents 5-point proposal on Sino-African ties," *Xinhua*, April 27, 2006,

http://www.gov.cn/english/2006-04/27/content_268037.htm

¹⁰⁶ Information Office of the State Council, "China's Peaceful Development," *The State Council*, September 6, 2011,

http://english.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm

keeping with the trend of economic globalization, and it should work together with other countries to build a harmonious world of durable peace and common prosperity.

(5) Peaceful development is a path of scientific, independent, open, peaceful, cooperative and common development.¹⁰⁷

More importantly, the white paper highlights the work of China's foreign aid in the content peaceful development.¹⁰⁸ First, China provides humanitarian aid in order to safeguard world peace and actively participate in multilateral organization for cooperation. Second, to provide Chinese aid more effectively and innovatively, China attaches greater importance to overseas investment and international cooperation. China encourages enterprises of all types to make overseas investment, engage in joint operations and undertake overseas contracting projects as well as providing labor services. Thirdly, the white paper also highlights the international cooperation in agriculture, energy and resources. Besides respecting the local laws, religions, and costumes, it says that China will improve life of the local people and enhance the self-development ability of the host country. In short, the white paper on China's peaceful development has summed up the overall picture of China's trinity of aid, trade and investment.

2.4.2 Selected FOCAC Guidance of Chinese Aid

Ever since the establishment of the FOCAC in 2000, the official speeches made by Chinese leaders and the issued documents have become significant guiding policies for China's aid projects to African countries. As William Gyude Moore, the Minister of

¹⁰⁷ *Ibid.*

¹⁰⁸ *Ibid.*

Public Works in Liberia observed, it has become a routine for the media and commentators to await for the official announcement of Sino-Africa cooperation from the FOCAC and make comparison with the previous meetings.¹⁰⁹ Launched in 2000 and held every three years alternatively in China and Africa, FOCAC is a flagship multilateral mechanism for China to promote foreign aid, diplomatic, trade, investment and even security relations with African countries.¹¹⁰ Significant normative guidance of Chinese aid to the SSA will be singled out from the FOCAC documents.

Comprehensive development

Within the context of FOCAC, China's aid to African countries has entered a domain of comprehensive development since 2000. Major areas of Sino-African cooperation include economics, agriculture, science, technology, government, governance, security and multilateral diplomacy.¹¹¹

New type of China-Africa strategic partnership

In FOCAC 2006, Hu Jintao declared the concept of New Type of China-Africa Strategic Partnership.¹¹² Given the fact that China had established partnership with African countries before 2006, such as the partnership with South Africa in 2000,

¹⁰⁹ William Gyude Moore, "2018 FOCAC: Africa in the New Reality of Reduced Chinese Lending," *Center for Global Development*, August 31, 2018, <https://www.cgdev.org/blog/2018-focac-africa-new-reality-reduced-chinese-lending>

¹¹⁰ Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation, FOCAC Mechanisms, *Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation*, https://www.focac.org/eng/ltjj_3/ltjz/

¹¹¹ Ministry of Foreign Affairs, the People's Republic of China, "Programme for China-Africa Cooperation in Economic and Social Development," *Ministry of Foreign Affairs* 2004 <https://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t157834.htm>; Ministry of Foreign Affairs of the People's Republic of China, "Forum on China-Africa Cooperation Beijing Action Plan (2019-2021)," *Ministry of Foreign Affairs of the People's Republic of China* September 12, 2018, https://focacsummit.mfa.gov.cn/eng/hyqk_1/t1594297.htm

¹¹² Hu Jintao, "Full text of President Hu's speech at China-Africa summit," *The State Council of the People's Republic of China*, November 4, 2006, http://www.gov.cn/misc/2006-11/04/content_432652.htm

comprehensive cooperative partnership with Ethiopia in 2003, a level-up China-South Africa strategic partnership in 2004, and the strategic partnership with Nigeria in 2005,¹¹³ Hu Jintao used the title of a “new type” of strategic partnership to indicate three critical points. First, it is a diplomatic partnership, which demands deepened political dialogues and trust, as well as mutual supports on the multilateral platforms between China and African countries. Second, it is a partnership of development that highlights commerce and human resource development. Economic interest has always been a focal point in Sino-Africa engagements since the 1980s. Nonetheless, human resource development, in particular China’s training courses for African official personnel has become a rising field in China’s foreign aid deployment to Africa.¹¹⁴ Thirdly, this new strategic partnership aims to build up cultural and people-to-people exchanges, which mirrors the growing momentum of Sino-Africa human resource development.

Solving African problems by Africans

China’s foreign aid to Africans does not provide a Chinese solution to the African problems, because China respects the sovereignty of African countries and supports the concept of African solution. The FOCAC Sharm El Sheikh Action Plan (2010–2012) issued at the FOCAC 2009 announced that both China and African countries agreed on the principle of “Solving African Problems by Africans.”¹¹⁵ The origin of Solving African Problems by Africans derived from the anti-imperialist spirit that resisted to

¹¹³ Georg Strüver, “International Alignment between Interests and Ideology: The Case of China’s Partnership Diplomacy,” *GIGA Working Papers* No. 283 (2016), p. 31.

¹¹⁴ Henry Tugendhat, “Chinese Training Courses for African Officials: A Win-Win Engagement?” *SAIS-CARI Policy Brief* No. 3 (2014), <https://saiscari.files.wordpress.com/2014/10/sais-cari-brief-3-2014-tugendhat.pdf>

¹¹⁵ Ministry of Foreign Affairs, the People’s Republic of China, “Forum on China–Africa Cooperation Sharm El Sheikh Action Plan (2010–2012),” *Forum on China-Africa Cooperation*, November 12, 2009, <https://www.fmprc.gov.cn/zflt/eng/dsjbzjhy/hywj/t626387.htm>

the external interventions to African countries. The concept of “African solution” has become a compelling phrase of the African Union (AU) and its leading member states like South Africa and evoked a sense of self-reliance, responsibility, pride and ownership amongst all Africans.¹¹⁶ Maite Nkoana-Mashabane, the Minister of International Relations and Cooperation of South Africa once declared that South Africa has emphasized the internationally accepted need for “African solutions to African problems.”¹¹⁷ By acknowledging the significance of African solution, China was not only reiterating the respect for the sovereignty and equality among African countries, but also showing the support for African Union and South Africa as well as to articulate its stance on the non-intervention policy.

Ocean economy and the 21st century maritime Silk Road

In the FOCAC Johannesburg Action Plan (2016-2018), Beijing had officially incorporated the concept of Ocean Economy and the 21st Century Maritime Silk Road into the FOCAC plans for the first time despite the fact that the infrastructure of African ports, marine environment research and resources have always remained on China’s aid agenda of Africa’s development.¹¹⁸ More importantly, ocean economy is directly linked to China’s “Belt and Road Initiative” (BRI), in particular to the “21st Century Maritime Silk Road.” The FOCAC Johannesburg Action Plan (2016-2018) declared that the African side welcomes the 21st Century Maritime Silk Road, which includes the African continent and the two sides will promote mutually beneficial cooperation

¹¹⁶ Laurie Nathan, “African Solutions to African Problems: South Africa’s Foreign Policy,” *WeltTrends* No. 92 (2013), p. 48.

¹¹⁷ Maite Nkoana-Mashabane, “Statement by Minister Maite Nkoana-Mashabane: Parliamentary Debate on the Central African,” *Department of Foreign Affairs, Republic of South Africa*, April 23, 2013, <http://www.dirco.gov.za/docs/speeches/2013/mash0423.html>

¹¹⁸ Ministry of Foreign Affairs, the People’s Republic of China, “The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018),” *Ministry of Foreign Affairs*, December 10, 2015, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1323159.shtml

in the blue economy.¹¹⁹

Chinese President Xi Jinping firstly proposed to build a “Silk Road Economic Belt” on September 7, 2013 when he delivered a speech entitled “Promote People-to-People Friendship and Create a Better Future” at the Kazakhstan’s Nazarbayev University.¹²⁰ The Silk Road Economic Belt aims to form an overall regional cooperation by strengthening policy communication on economic development strategies, improving road connectivity and transportation network, promoting trade and investment facilitation, enhancing monetary circulation and deepening people to people exchanges.¹²¹ In this context, the Silk Road Economic Belt resembles to the long-lasting China’s aid trinity and development in Sino-Africa relations. On October 2, 2013, Xi Jinping elaborated more on the concept of “21st Century Maritime Silk Road” when delivering a speech at the People’s Representative Council of Indonesia.¹²² Extending from the concept that Southeast Asia has been a hub along the ancient maritime Silk Road, Xi said that China is going to develop maritime partnership in a joint effort of building the Maritime Silk Road of the 21st century for common development and prosperity.¹²³

Economic interests and outreaching connectivity are viewed as priorities of the BRI. China is attempting to extend its global connectivity with an emphasis on infrastructure building for accessing new markets, exporting industrial overcapacity and pushing

¹¹⁹ *Ibid.*

¹²⁰ Ministry of Foreign Affairs, the People’s Republic of China, “President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries,” *Ministry of Foreign Affairs*, November 7, 2013, https://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml

¹²¹ *Ibid.*

¹²² Wu Jiao, “President Xi gives speech to Indonesia’s parliament,” *China Daily*, October 2, 2013, http://www.chinadaily.com.cn/china/2013xiapec/2013-10/02/content_17007915.htm

¹²³ *Ibid.*

more Chinese enterprises to go outward.¹²⁴ For the political and diplomatic interpretation, Xi Jinping is representing China as a responsible major power, which spares no efforts in pursuing peaceful development, inclusive and open cooperation, mutual learning and mutual benefit.¹²⁵ In the opening remarks addressed to the second Belt and Road Forum for International Cooperation convened on April 27, 2019, Xi Jinping reiterated that BRI will fully implement the principles of extensive consultation, joint contribution and shared benefits.¹²⁶ Furthermore, China will work with all parties to bolster cooperation mechanisms and foster partnerships on connectivity in the spirit of multilateralism.¹²⁷

The concept of ocean economy in the BRI has been more clearly elaborated in the “Vision for Maritime Cooperation under the Belt and Road Initiative” issued by the National Development and Reform Commission (NDRC) and the State Oceanic Administration (SOA) on 20 June 2017.¹²⁸ The document states that ocean cooperation will focus on building three maritime economic passages. The first passage is launched from China to the Indian Ocean, heading to Africa and cross the Mediterranean Sea for reaching Europe.¹²⁹ The second passage is expected to link China to the Oceania and to the South Pacific and run southward via the South China Sea into the Pacific

¹²⁴ Veerle Nouwens, “China’s 21st Century Maritime Silk Road: Implications for the UK,” *Royal United Services Institute Occasional Paper*, 2019, https://rusi.org/sites/default/files/20190214_nouwens_maritime_silk_road_web.pdf

¹²⁵ Xinhua, “From G20 Hangzhou Summit to Belt and Road forum, Xi’s global prominence on the rise,” *China Daily*, May 18, 2017, http://www.chinadaily.com.cn/china/2017-05/18/content_29397734.htm

¹²⁶ The Second Belt and Road Forum for International Cooperation, “Xi Jinping Chairs and Addresses the Leaders’ Roundtable of the Second Belt and Road Forum for International Cooperation (BRF),” *Belt and Road Forum* April 28, 2019, <http://www.beltandroadforum.org/english/n100/2019/0429/c22-1392.html>

¹²⁷ *Ibid.*

¹²⁸ The State Council of the People’s Republic of China, “Full text: Vision for Maritime Cooperation under the Belt and Road Initiative,” *Xinhua*, June 20, 2017, http://www.china.org.cn/world/2017-06/20/content_41063286.htm

¹²⁹ *Ibid.*

Ocean.¹³⁰ The third passage is envisioned to go northward across the Bering Strait and to link to the Europe via the Arctic Ocean.¹³¹ The third passage is also called the polar Silk Road. In addition, the document claims that with these three oceanic passages, China and the countries along this Maritime Silk Road could jointly promote green development of marine environment protection, ocean-based prosperity including resource utilization, marine industry cooperation, maritime transport, logistic connectivity and information infrastructure, as well as maritime security and scientific and technological innovations.¹³²

2.4.3 Evaluation: China's Other Official Flow (OOF) was on a Surge from 2000 to 2017

With respect to the normative guidance of Chinese aid from 2000 to 2017, economic development is still leading the way, serving China's interests of trade, commerce and investment. By examining the normative guidance of Chinese aid in relation to China's aid behaviors from 2000 to 2017, three findings are worth noting.

A normative continuity of the five principles of peaceful coexistence

Peaceful development has inherited similar normative guidance from the peaceful coexistence. On the issues of equality, respect for the sovereignty and mutual benefits, China seems to have a normative continuity. In the FOCAC Beijing Summit of 2018, Xi Jinping states five “no” approaches to African countries.¹³³ China respects African countries' pursuit of their own development path that fit their national conditions, does

¹³⁰ *Ibid.*

¹³¹ *Ibid.*

¹³² *Ibid.*

¹³³ Mu Xuequan, “Full text of Chinese President Xi Jinping's speech at opening ceremony of 2018 FOCAC Beijing Summit,” *Xinhua*, September 3, 2018, http://www.xinhuanet.com/english/2018-09/03/c_137441987.htm; http://www.xinhuanet.com/english/2018-09/03/c_137441990.htm

not interfere African countries' internal affairs, and does not impose its will on African countries and Chinese aid projects do not attach political strings and does not seek selfish political gains.¹³⁴ Xi Jinping's five "no" approaches to African countries reiterates the concepts of peaceful co-existence, none-interference, no strings attached, and mutual benefits. In fact, when Jiang Zemin gave his first FOCAC speech in 2000, Jiang had also used the phrase "complementary" to describe Sino-Africa development.¹³⁵ Likewise, Hu Jintao had addressed the Sino-Africa complementarity in a more explicit way by declaring that China and Sub-Saharan Africa can benefit from each other's practice in development in 2006.¹³⁶ China's aid to Africa has never been free, because it has had a tradition of benefiting from each other's development. Xi Jinping is consistent to these normative guiding principles.

More OOF and less ODA from 2000 onwards

Pursuant to the economic driven normative guidance of Chinese aid, China's foreign aid volume from the year of 2000 onwards was composed by a larger proportion of OOF, rather than ODA. Table 2-3 indicates a fact that China has been delivering much more OOF than ODA from 2000 to 2014. In other words, most of China's aid projects were aiming at promoting commercial activities including trade and investment.

In 2000, China's total foreign aid volume was amounted US\$ 2.6 billion and the Chinese ODA was still larger than OOF by that time as shown in Table 2-3. However, the volume of China's OOF began to take off and outweighed the ODA since 2003 for 12 years in a row. There was amounted US\$ 24 billion of ODA in 2014, whereas the

¹³⁴ *Ibid.*

¹³⁵ Jiang Zemin, "China and Africa-usher in the new century together," *Ministry of Foreign Affairs, the People's Republic of China*, 2004, <https://www.fmprc.gov.cn/zflt/eng/zyzl/zyjh/t157712.htm>

¹³⁶ Hu Jintao, "Full text of President Hu's speech at China-Africa summit," *The State Council of the People's Republic of China*, November 4, 2006, http://www.gov.cn/misc/2006-11/04/content_432652.htm

ODA was accounted US\$ 6.9 billion. The total OOF volume of these 14 years was amounted US\$ 216 billion, which is two times larger the total ODA volume accounted US\$ 81 billion in the same period. It is suggested that the larger proportion of China's OOF in the composition of foreign aid demonstrates that China's foreign aid projects are in compliance with the normative guidance highlighting economic development as the primary objective from the year of 2000 onwards.

Last but not least, there is a gap amounted US\$ 570 billion between the sum of China's ODA and OOF and China's total volume of foreign aid from 2000 to 2014 (see Table 2-3). The AidData refers to this gap as "Vague Official Finance," which cannot be categorized by the definition of ODA and OOF.¹³⁷ China's vague official finance that cannot be defined by ODA and OOF indicates a fact that non-DAC aid providers like China have moved beyond the scope defined by the OECD-DAC when delivering foreign aid projects and activities. It reflects a warning that using OECD-DAC's definition and standards to evaluate China's aid behaviors might be inappropriate, because some of China's aid practices are beyond the scope of OECD-DAC's comprehension. Ngaire Woods, Professor of Global Economic Governance at Oxford University notes that foreign aid providers (like China) that do not belong to the OECD-DAC community are undergoing a wave of innovative approaches of foreign aid activities that are different from the traditional foreign aid models.¹³⁸ We need new perspectives to understand non-DAC aid providers' behaviors and China is the best case.

¹³⁷ Aiddata, "What's Included in China's Official Finance?" *Aiddata*, March 16, 2019, <https://www.aiddata.org/china-official-finance#first-panel>

¹³⁸ Ngaire Woods, "Whose aid? Whose influence? China, Emerging Donors and the Silent Revolution in Development Assistance," *International Affairs*, Vol. 84 No. 6 (2008), pp. 1205–1221.

Table 2- 3: China's Foreign Aid Volume and Composition (Unit: US\$ Billion)

	Total Volume of Foreign Aid	ODA	OOF
2000	2.6	1.3	1
2001	5.4	2.2	3.2
2002	5.5	2.8	1.6
2003	6.2	1.7	3.8
2004	6.5	2.3	2.3
2005	9.6	2.3	5.8
2006	18.7	6.3	7.5
2007	18.5	5.7	10
2008	12.8	2.5	6
2009	69.6	7.5	56.6
2010	30.6	4.3	20.5
2011	52.7	13.8	30.2
2012	41.7	11.9	25.2
2013	36.7	9.6	18.4
2014	37.3	6.9	24.1
Total	354.4	81.1	216.2

Source: Aiddata, "China's Global Development Footprint," *Aiddata* 2018,
<https://www.aiddata.org/china-official-finance#first-panel>

ODA is for diplomatic interests while OOF aims at economic interests

By tracing whether China's aid behavior resembles to the normative guidance of Chinese aid from 2000 onwards, it finds that the proportion of commercially driven OOF is larger than the grant-based ODA. There is a close co-relation between the normative guidance that highlights economic development as a primary goal and China's aid behaviors of applying a commercial driven aid package that combines grants, concessional loans and lines of credits.

More importantly, by juxtaposing the normative guiding principles and China's aid behaviors in the before mentioned three periods of phases, from 1950 to 1977, from 1978 to 2000, from 2000 to 2017, there is a co-related relationship between the objectives of normative guidance and the implementing patterns of Chinese aid. If China mainly wants to pursuit diplomatic interests, the aid pattern would be mainly

composed by the grant-based ODA. If China aims to seek economic interests as a priority, the aid pattern would be mainly composed by the commercially-driven OOF. When China was mainly seeking diplomatic interests from 1950 to 1977, such as international recognition, courting the third world developing countries, struggling between the U.S. and the Soviet Union, etc., China's aid behaviors were mainly composed by grant-based ODA including interest-free loans, low-interest loans, and grants (see Table 2-1 and Table 2-4). The Tanzania-Zambia Railway construction founded by China's interest-free loan was the benchmark example explaining how China's aid spending was directed by ideological and diplomatic consideration.¹³⁹

In contrast, when China mainly wants to pursue economic interests via peaceful development and the BRI from 2000 to 2017, China's aid behaviors are largely composed by the commercially orientated OOF. China made it clear that Chinese aid is not a gift from a wealthy donor to a poor recipient from the Global South, because China is seeking economic cooperation, which allows both sides can be benefited from each other's developments. Regarding the period from 1978 to 2000, although the pragmatic turn from diplomatic interests to economic development was clear in China's normative guidance of aid, the lack of economic means restrained China's capability to increase the economic momentum via foreign aid projects. As the previous discussion has noted, it was not until Wu Yi's economic policy to combine aid, concessional loan, trade and investment in 1994 that China finally was equipped with financial capability to promote economic interests via aid projects. As a result, even though the normative guidance was directed by the economic development, China's aid behaviors were mainly composed by grant-based ODA from 1978 to the mid-1990s. In other words, it was not until the early 2000s that Wu Yi's trinity of aid, trade and investment was finally

¹³⁹ 王成安，〈用鮮血和生命鑄就友誼之路——紀念援建坦贊鐵路犧牲的中國專家〉。

more mature and ready to commerce a full implementation. In sum, if China's normative guidance is focusing more on the diplomatic objective, China's aid behaviors would be largely defined by grant-based ODA. Conversely, if China's normative guidance was aiming at economic development, China's aid behaviors would be largely composed by commercially driven OOF.

Table 2- 4: Comparing China's Normative Guidance and Chinese Aid Behaviors, 1950-2017

Year	1950-1977	1978-2000	2000-2017
Normative Guidance	- Socialist ideology - Peaceful coexistence - Third World identity	- Economic development - Acting according to the capability - Peaceful coexistence	- Peaceful development - Belt and Road Initiative - Economic development
Interests	- Diplomatic interests take the lead	- Economic interests take the lead	- Economic interests take the lead
China's aid behaviors	Mainly composed by ODA	Mainly composed by ODA	Mainly composed by OOF
<i>Note</i>	<i>Lack of means to pursue OOF before 1994</i>		

Source: Composed by the Author

2.5 Summary

Chapter Two aims to contextualize China's foreign aid by investigating the continuity and change of China's normative guidance that directs Chinese aid implementation. Throughout the investigating and juxtaposition of the normative guidance and China's aid behaviors from 1950 to 2017 as shown in Table 2-4, China's normative guidance of foreign aid is closely related to China's aid implementation of ODA and OOF.

There are three phases of China's normative guidance of foreign aid as illustrated in Table 2-4. The first phase was directed by the normative guidance of ideological solidarity and peaceful co-existence with the aim to expand China's diplomatic relations.

China's foreign aid was an instrument of foreign policy. Consequently, China's aid behaviors were largely defined by grant-based ODA. By providing grants and concessional, interest-free loans that carried with at least 25% of grant element to the African countries, China's ODA had successfully won over many diplomatic allies from 1950 to 1977.

China's normative guidance of foreign aid had shifted from a diplomatic orientation to a trajectory of rational calculation and economic development in the second phase from 1978 to 2000 (see Table 2-4). China's foreign aid behaviors were no longer driven by political ideology and the provision of grant-based ODA. Instead, Chinese aid behaviors were more rational and profit-seeking in this period of time. On the other hand, the principles of peaceful co-existence including mutual respect for sovereignty, mutual non-aggression, and mutual non-intervention in internal affairs, equality and mutual benefits were still the foundation of China's foreign aid behaviors (see Table 2-4).

The normative guidance of economic development and peaceful co-existence continuously directed China's aid behaviors from 2000 to 2017 in the name of peaceful development. With the establishment of the China Exim Bank and the launch of China's concessional loan policy in the mid-1990s, China's foreign aid was turned into a trinity of aid, trade and investment largely defined by profit-seeking OOF since the year of 2000 (see Table 2-3). The BRI kicked off in 2013 was functioned as an advanced version of the Going Global policy with the intention to push more Chinese enterprises to conduct overseas projects, joint projects and infrastructure projects in the aid recipient countries.

In sum, there is a normative continuity of the five principles of peaceful coexistence

containing equality, respect for sovereignty and mutual benefits. China's foreign aid is not to provide a Chinese solution, but to seek cooperation between two partners. The Chinese aid is not a gift from a wealthy donor to a poor recipient from the global South, because it is expected that both sides can be benefited from each other's development. Furthermore, there is normative change in China's foreign aid behaviors. Prior to the 1978, China's aid was mainly serving for diplomatic interests and political ideology. From the year of 1978 onwards, China's foreign aid was more orientated by the profit-seeking cooperation and commercial activities.





Chapter Three

Investigating China's Institutional Mechanism of Foreign Aid

3.1 Introduction

China's foreign aid activities have become a controversial issue in recent years. It is widely assumed that China is buying and extending political influence abroad via the provision of Chinese aid. Joshua Meservey, a senior policy analyst at the Heritage Foundation states that China has built unparalleled influence in Africa via an array of economic, military and diplomatic initiatives and China seeks influence on the African Continent to support its rightful place as a global superpower.¹ Meservey suggests that it is dangerous if the illiberal economic and governance model the Chinese continues to gain in the SSA.² Jonathan Kirshner suggests that China's logic is rooted in the "Hirschmanesque effects," which indicates a coercive political influence stems from asymmetrical economic relations between a large country (like China) and a small country (any developing country).³ Thorsten Benner, director of the Global Public Policy Institute (GPPi) in Berlin notes that all areas of interaction with China are potentially problematic, because China is an authoritarian regime that attempts to

¹ China in Africa: The New Colonialism?: Hearing before the Subcommittee on Africa, Global Health, Global Human Rights and International Organizations, 115th Cong., 2nd sess., (2018) (statement of Mr. Joshua Meservey, China in Africa: The New Colonialism?)

² *Ibid.*

³ Jonathan Kirshner, "The Consequences of China's Economic Rise for Sino-U.S. Relations: Rivalry, Political Conflict, and (not) War," in eds. Robert S. Ross and Zhu Feng, *China's Ascent Power, Security and the Future of International Politics*, (Ithaca, NY: Cornell University Press, 2008), pp. 238-59; Rawi Abdelal and Jonathan Kirshner, "Strategy, Economic Relations and the Definition of National Interests," in eds. Jean-Marc F. Blanchard, Edward D. Mansfield, Norrin M. Ripsman, *Power and the Purse: Economic Statecraft, Interdependence and National Security* (London: Routledge, 2000), pp. 119-120.

export its political and economic development model abroad.⁴

However, is China's foreign aid aiming at political influence seeking and exporting? In the field of International Relations (IR), a significant amount of literatures has suggested that domestic politics is a crucial part of understanding a state's foreign policies.⁵ Foreign aid is no exception. Despite a plethora of analyses on China's foreign aid, limited research has studied the Chinese aid behaviors from the intervening variable of China's domestic institutional mechanism that governs China's foreign aid. The author attempts to bring China's institutional mechanism of foreign aid back in the context of China's aid behavior discussion. It is suggested that China's foreign aid activities are influenced and even restrained by the institutional framework. By unpacking the institutional formation of China's aid system, the goal also aims to find out which governmental agency is in charge of China's foreign aid implementation and able to specify the enforcing details of aid projects. Given that different government agency has different tasks and tendency, by identifying the determinant agency in China's foreign aid system, we can understand the general scope and limitation of China's aid behaviors from an institutional perspective.

In order to trace the formation of China's aid institutional mechanism from the 1950s to the 2010s, China's foreign aid will be divided into three phases in line with "China's Foreign Aid," a White Paper issued by Information Office of the State Council of the P.R.C. in 2011.⁶ The first phase started from 1950 soon after the founding of the

⁴ Thorsten Benner, Jan Gaspers, Marike Ohlberg, Lucrezia Poggetti and Kristin Shikupfer, "Responding to China's Growing Political Influence in Europe," *Mercator Institute for China Studies*, 2018, https://www.merics.org/sites/default/files/2018-02/GPPi_MERICS_Authoritarian_Advance_2018_1.pdf

⁵ James D. Fearon, "Domestic Politics, Foreign Policy and Theories of International Relations," *Annual Review of Political Science*, Vol. 1 (1998), pp. 289-313.

⁶ 中華人民共和國國務院新聞辦公室，〈中國的對外援助〉，《中華人民共和國國務院新聞辦公室》，2011年4月21日，<http://www.scio.gov.cn/m/zxbd/nd/2011/Document/896900/896900.htm>

P.R.C. to the year of 1977, a year before Deng Xiaoping's reform and opening. Second phase took place from 1978 when Deng took a pragmatic open-door policy to the year of 2000. The third phase was launched from the year of 2000 with the kickoff of FOCAC and the establishment of MOFCOM in 2003 to 2018 with the latest establishment of China International Development Cooperation Administration (CIDCA).

3.2 China's Institutional Mechanism of Foreign Aid, 1950-1977

China's institutional mechanism of foreign aid from 1950 to 1977 will be investigated as well as the corresponding aid delivery patterns in the same period of time. It is found that although China's State Council is the top decision maker of China's foreign aid, a certain degree of the authority regarding the supervision, management and implementation of aid projects has been gradually shared with the implementing agencies of Chinese aid due to the fact that the number of aid recipient countries was on a rise. Despite the ideological tendency and top decisions made by the State Council, China's foreign aid behaviors at the executing level were carried out by economic agencies, instead of political or foreign affair agencies.

3.2.1 State Planning Committee and Ministry of Foreign Trade in the 1950s

In the 1950s, the governing authority of China's foreign aid is the State Planning Committee (SPC),⁷ which assigned different foreign aid projects to relevant departments under the State Council with respect to their competent domains.⁸ On

⁷王成安，《中國援助非洲 50 年概述》，載於《中國非洲研究評論（2011）》，（北京，北京大學出版社 2012 年），第 164 頁。

⁸ Hong Zhou, "China's Foreign Aid Policy and Mechanisms," in Hong Zhou ed. *China's Foreign Aid: 60 Years in Retrospect* (Singapore: Springer Nature, 2017), p. 4.

August 7 1952, China established Ministry of Foreign Trade (MFT) to negotiate, manage and coordinate the material resources of foreign aid among its subordinate export and import agencies.⁹ Meanwhile the Ministry of Finance was in charge of the Official Development Assistance of grants.¹⁰ To put in another way, the Ministry of Foreign Trade was the chief implementing agency to carry out overseas material assistance projects via import and export companies.¹¹ In 1956, the Bureau of Technology Cooperation, Bureau of Complete set of Equipment and Bureau of Foreign Economic Liaison were created under the administration of Ministry of Foreign Trade to jointly coordinate the implementation of China's foreign aid.¹²

3.2.2 The General Bureau for Economic Relations with Foreign Countries, 1961

The 2nd Standing Committee of the NPC in 1960 established the General Bureau for Economic Relations with Foreign Countries under the State Council of China.¹³ The General Bureau for Economic Relations with Foreign Countries was designated to handle China's foreign aid. In addition, the chief decision authority of the State Planning Committee, the material resource management of the Ministry of Foreign Trade and the grant aid managed by the Ministry of Finance were replaced by the General Bureau for Economic Relations with Foreign Countries.¹⁴ This marked the

⁹黃梅波，胡建梅，〈中國對外援助管理體系的形成和發展〉，《發展與援助》，2009年第5期，頁32。；Hong Zhou, "China's Foreign Aid Policy and Mechanisms."

¹⁰黃梅波，胡建梅，〈中國對外援助管理體系的形成和發展〉，頁32。

¹¹ Hong Zhou, "China's Foreign Aid Policy and Mechanisms," p. 3.

¹²彭波，〈新中國建立後的對外援助〉，《中華人民共和國商務部》，<http://history.mofcom.gov.cn/?newchina=e%E6%96%B0%E4%B8%AD%E5%9B%BD%E5%BB%BA%E7%AB%8B%E5%90%8E%E7%9A%84%E5%AF%B9%E5%A4%96%E6%8F%B4%E5%8A%A9>

¹³中華人民共和國商務部，〈對外經濟聯絡部〉，《中華人民共和國商務部》，2005年1月31日，<http://bgt.mofcom.gov.cn/aarticle/Nocategory/200501/20050100016087.html>

¹⁴ Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," p. 166.

first time that the governance, management and implementation of Chinese aid were incorporated into one specialized government agency.¹⁵ Under the administration of the General Bureau for Economic Relations with Foreign Countries, there were Bureau of Complete set of Equipment and Bureau of Economic Cooperation as competent authority to manage external economic assistance and technology cooperation.¹⁶ The management of grants and cash flow of aid were also transferred from the Ministry of Finance to the General Bureau for Economic Relations with Foreign Countries.¹⁷

3.2.3 Commission for Foreign Economic Relations, 1964

In order to cope with the increasing demand of foreign aid from countries that have established formal diplomatic relations with China in the 1960 to 1970, the General Bureau for Economic Relations with Foreign Countries was upgraded and expanded into Commission for Foreign Economic Relations in June 1964.¹⁸ The newly founded Commission had four departments of and one office.¹⁹ Regarding the four departments, three of them were designed to manage the foreign aid to socialist countries, foreign aid to Asian countries, foreign aid to African countries and the coordination of material resources and technology assistance respectively.²⁰ In light of this structural design, it was clear that China's foreign aid policy was aiming at developing countries in Asia and Africa as well as socialist brother countries in the 1960s. On March 1, 1965, four Bureaus of Foreign Economic Liaison were founded as extended branches of the Commission for Foreign Economic Relations settled in the four major areas of East

¹⁵程章璽，〈中國為何要專門設立這個通常發達國家才有的機構？〉，《瞭望智庫》，2018年4月19日，<http://www.lwinst.com/zhengzhi/6543.htm>

¹⁶黃梅波、胡建梅，〈中國對外援助管理體系的形成和發展〉，頁32。

¹⁷ *Ibid.*

¹⁸ Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," p. 167.

¹⁹程章璽，〈中國為何要專門設立這個通常發達國家才有的機構？〉。

²⁰ *Ibid.*

China, North China, Northeast China and Central South region of China.²¹ These extended branches were created to prepare and collaborate foreign aid resource across China, coordinate specialists from each region to be dispatched to recipient countries, provide training programs for foreign students and personnel, and receive foreign delegations.²² China's foreign aid mechanism at this stage was heading toward a more organized system and incorporated a multi-level framework from the central government to provincial units.

3.2.4 The Chinese Aid Delivery Mechanism, 1950-1970

China's aid delivery patterns in both the 1950s and 1960s were largely defined by the State Planning Commission in a top-down order. There were no interests and profits for the implementing units, because the aid projects were assigned tasks from the central government. Furthermore, the assigned executing units were often at the bottom of the hierarchy, because State Planning Commission would firstly assign the aid task to a suitable Ministry and the Ministry would pass the task to a branch office at the provincial level to carry out the aid project.

The general delivery system, 1950-1960

The general delivery system was the first foreign aid delivery system after the founding of the P.R.C.²³ This aid delivery system was supervised by the State Planning Commission, which assigns a suitable Ministry, commission or government agency to be the general deliverer, responsible for the delivery of a foreign aid project, including project planning, resource gathering, budget, personnel dispatching, provision of

²¹ 黄梅波、胡建梅，〈中国对外援助管理体系的形成和发展〉，頁 33。

²² *Ibid.*

²³ Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," p. 186.

equipment and execution.²⁴ For instance, if the aid project is about agricultural cooperation, the Ministry of Agriculture would be commissioned by the State Planning Commission to accomplish the task. Moreover, the designated Ministry would also seek coordination and assistance from other Ministries for professional support due to the fact that many foreign aid projects require cross-agency collaboration. Chinese Ambassador to Ethiopia Ai Ping said that the commissioned Ministry would often entrust a state-owned enterprise and a branch department in a regional government to accomplish the task.²⁵ In fact, in order to facilitate the overseas aid projects, the China National Complete Plant Import and Export Group Corporation Limited (COMPLANT) was approved by the Premier Zhou Enlai and jointly established and administrated by the Ministry of Foreign Trade and Ministry of the First Machine Building Industry in November, 1959.²⁶ Since then, China National Complete Plant Import and Export Group Corporation Limited has accomplished more than 1500 foreign aid projects in over 50 countries across Asia, Africa and Latin America, including the worldly-renowned Tanzania-Zambia Railway.²⁷

The coordinated delivery system, 1961-1970

In light of the inevitable collaboration from cross-governmental agencies and relevant provinces and cities, the Coordinated Delivery System had established in the late 1950s. On October 29, 1958, the Central Committee of the Communist Party of China approved an official report written by Chen Yi and Li Fu-chun to improve the

²⁴ Hong Zhou, "China's Foreign Aid Policy and Mechanisms." p. 4.

²⁵ Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," p. 186.

²⁶ China national complete plant import & export Corporation, "Profile," *china national complete plant import & export Corporation*,

http://www.complant.com/portalyw/about/gsjj/A060102index_1.htm

²⁷ *Ibid.*

efficiency of foreign aid delivery.²⁸ In the report, “Request for a report on strengthening foreign economic and technical assistance,” it states that in order to ensure the quality of foreign aid projects and to complete the project on time, the designated Ministry can entrust a certain province, city or autonomous region to complete all or part of the foreign aid project in line with its local industrial capacity and resources.²⁹ In short, because most of the foreign aid projects were as large as infrastructure construction including civil engineering, broadcasting, telecommunications and power engineering,³⁰ the assigned Ministry as a general deliverer needed to have coordination with relevant Ministries, agencies and even provinces and cities to ensure the completion of the foreign aid projects. Hence, the Coordinated Delivery System is similar to the General Delivery System, except it emphasized more on the cross-agency coordination.

3.2.5 Evaluation: State Planning Commission’s Top-Down Command on Aid Projects

China’s foreign aid behaviors were dominated by the State Planning Commission in a top-down fashion as shown in Figure 3-1.³¹ State Planning Commission is under the direction of China’s State Council, which is ruled by the Central Committee of the CPC. In short, China’s foreign aid was under a full command of the Communist Party.

It is the State Planning Commission’s decision to assign a particular foreign aid project to a selected Ministry or agency and that assigned Ministry or agency has to finish the task. Usually, the assigned Ministry would commission the aid project to its

²⁸ 彭波，〈萬隆會議以後中國的對外援助〉，《中華人民共和國商務部》，<http://history.mofcom.gov.cn/?newchina=%E4%B8%87%E9%9A%86%E4%BC%9A%E8%AE%AE%E4%BB%A5%E5%90%8E%E4%B8%AD%E5%9B%BD%E7%9A%84%E5%AF%B9%E5%A4%96%E6%8F%B4%E5%8A%A9>

²⁹ *Ibid.*

³⁰ 黃梅波，胡建梅，〈中國對外援助管理體系的形成與發展〉，頁 34。

³¹ Gregory C. Chow, “Economic Planning in China,” *CEPS Working Paper* No. 219, 2011, <https://www.princeton.edu/ceps/workingpapers/219chow.pdf>

own branches in the regional government and request assistance from other Ministries and regional governments. Nevertheless, the undertaking ministries and implementing units were just following the command from the top and deliver the aid projects.

As a result, since the institutional mechanism of aid from the 1950s to 1960s was carried out by the State Planning Commission covering decision-making, planning and aid delivering, China’s foreign aid behaviors were defined by the political consideration from the top Central Committee of the Communist Party of China.

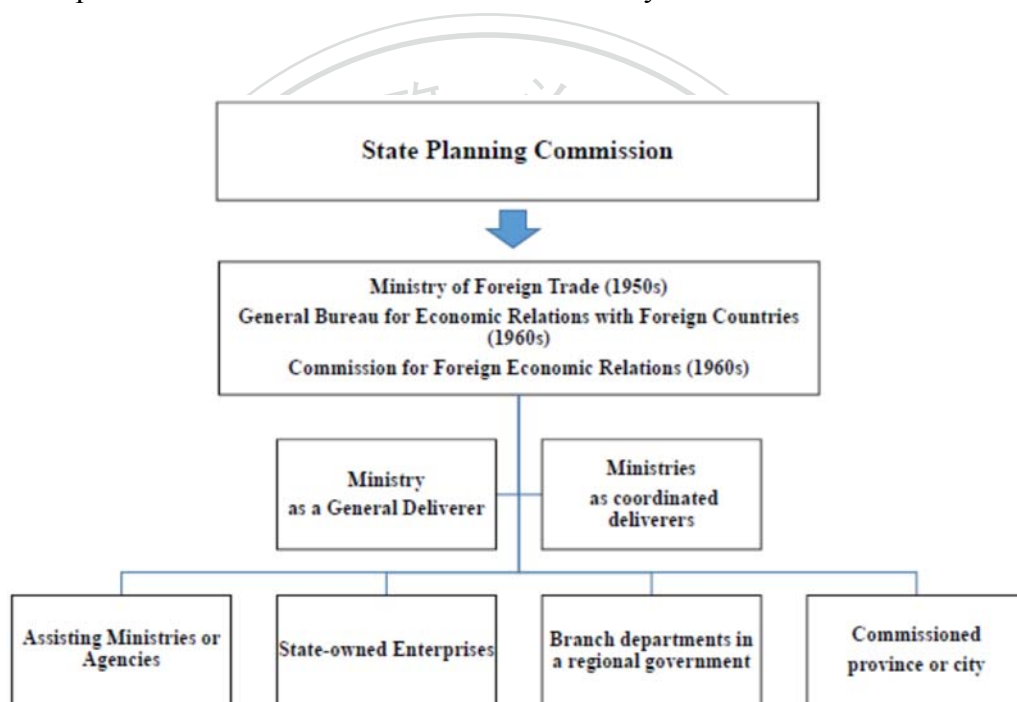


Figure 3- 1: General Delivery System/ Coordinated Delivery System
Source: Composed by the Author.

3.2.6 Ministry of Foreign Economic Relations, 1970

With respect to the Document No. 44 of the Central Committee of the Communist Party of China on June 1970, the Commission for Foreign Economic Relations was upgraded again and to be officially renamed as the Ministry of Foreign Economic Relations on August 6, 1970.³² It had one Office, one department of Politics and six

³² Hong Zhou, “China’s Foreign Aid Policy and Mechanisms,” p. 7.

Bureaus dealing with socialist countries, Asian countries, African countries, Latin American countries, budget planning and economic cooperation.³³ The organizational structure of Ministry of Foreign Economic Relations indicated a fact that China's foreign aid was reaching to a broader area of developing countries along with the wider international space and more diplomatic ties established in the 1970s after China's admission into the United Nations and the warming up Sino-US normalization. As for the newly created Bureau of budget planning, it implied a concern on China's international finance and the burden of giving grants and material resources to socialist brother countries and developing countries in the past decade while China was concurrently suffered economically during the Cultural Revolution. In addition to the previous established administrative branches handling foreign aid affairs in East China, North China, Northeast China and Central South regions, departments and offices of foreign economic relations or offices of foreign assistance were also established in almost every province, autonomous regions and municipalities, except Qinghai, Ningxia and Tibet.³⁴

The competency of Ministry of Foreign Economic Relations encompassed the following tasks:³⁵

- (1) To negotiate economic aid with Asian, African and Latin American countries as well as signing agreements and protocols under the leadership of the State Council.
- (2) Sign scientific and technological cooperation agreements with foreign countries pursuant to the leadership of State Council.

³³ 黃梅波，胡建梅，〈中國對外援助管理體系的形成和發展〉，頁 33。

³⁴ *Ibid.*

³⁵ 中華人民共和國商務部，〈對外經濟聯絡部〉，《商務部電子商務和資訊化司》，2005 年 1 月 31 日，<http://bgt.mofcom.gov.cn/aarticle/Nocategory/200501/20050100016087.html>。

- (3) To fully grasp the progress of the implementation according to the rules stipulated in the signed agreements and to handle the liquidation procedures.
- (4) To arrange the budget of foreign aid, make budget planning and handle the dispatch of experts to recipient countries.
- (5) To attend the standing committee of the Council for Mutual Economic Assistance and to handle economic and technology international cooperation on projects of railway, transportation, civil aviation, post, electricity, telecommunications, agriculture and forestry.
- (6) To dispatch technical experts, inspect and research professionals, interns to collaborating countries and to exchange information, samples and technology.

3.2.7 The Chinese Aid Delivery Mechanism in the 1970s

In accordance with the Ministry of Foreign Economic Relations founded in 1970, there was an institutional change in the implementing mechanism of Chinese aid. The State Council began to delegate more responsibility and autonomy to the aid institutional agency, allowing the operating units from the regional governments to bear more responsibilities on the completion of the aid projects. In sum, the State Council was still making the top decision of aid cooperation, but the Ministry of Foreign Economic Relations and operating units were given more autonomy at the implementing level.

The responsibility system of the undertaking sector, 1971-1980

The Responsibility System of the Undertaking Sector is the embodiment of the decentralized authority of foreign aid management from the State Council to the Ministry of Foreign Economic Relations as well as the increased responsibility of the

regional governments (provincial, autonomous or municipal). That means the regional governments and sectors were asked to take up more responsibility and to share more loading in order to deliver foreign aid projects agreed by the State Council with other countries.

This trend of decentralized foreign aid management was a result of the international and domestic situation of that time. In nature, the State Council still has the highest authority to oversee the entire foreign aid deployment as a general strategy. However, since China has joined the United Nations in 1971 and gradually took a pragmatic approach in its foreign affairs, there was a boom of the recipient countries of Chinese aid demanding more development projects abroad. In addition, more and more large and medium sized factories that once managed by the central Ministries were transferred to the supervision of provincial, autonomous or municipal governments.³⁶ Given these circumstances, the State Council and the State Planning Commission could no longer handle the volume and the complexity of foreign aid coordination and implementation. As a result, the Responsibility System of the Undertaking Sector was established in 1971 to share the burden and decentralize the responsibility of completing the foreign aid tasks from the central government.

The Responsibility System of the Undertaking Sector was designed to bring the ministries of the central government, regional governments and sectors, as well as state-owned enterprises into a full play.³⁷ More importantly, the undertaking sector, which was often the sectors of regional governments shall be fully responsible to complete the foreign aid projects according the signed agreements with recipient countries.³⁸ The

³⁶ Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," p. 186.

³⁷ *Ibid.* p. 187.

³⁸ *Ibid.*

arrangement was similar to the previous General Delivery System and Coordinated Delivery System. The aid committed project would be firstly assigned to the most relevant Ministry in the central government by the State Council alone with other coordinated Ministries. Then the assigned Ministry in chief would contact a particular regional government and require the industrial corporations, state-owned enterprises, factories from that region to jointly arrange material resources, professional personnel and experts for the implementation. Furthermore, the Ministry of Foreign Economic Relations would issue a formal project instruction to the chosen regional government on behalf of the State Council. The Ministry of Foreign Economic Relations would require the regional government to closely work with the designated Ministry and complete the task on time.³⁹ That being said, the selected regional government would be the undertaking sector, which is responsible to finish the project on time. In sum, there were two sectors functioned as the undertaking sectors, one is the most relevant Ministry in the central government and the other is the selected regional government and the industrial sectors, enterprises and personnel from that region.

3.2.8 Evaluation: The gradual retreat of the State Planning

Commission

The tendency of State Planning Commission's retreat from the Chinese aid institution was the most significant trait of China's foreign aid system in the 1970s. Figure 3-2 indicates that while the State Council still possessed the top authority of decision-making, a certain degree of autonomy and responsibility had been delegated to the Ministry of Foreign Economic Relations in order to facilitate the aid implementation including negotiating with the recipient country, signing agreement,

³⁹ *Ibid.*

budget control and handle the dispatch of experts to recipient countries.

There were six significant traits of Chinese aid institution in the 1970s. First, despite the overarching position of the State Council in the China's aid institution, China's foreign aid has been managed and implemented under the Ministry related to economic development since 1964. It was not managed by the Ministry of Foreign affairs or other Ministries. Second, in line with the administration of the Ministry of Foreign Economic Relations in the 1970s, China's foreign aid projects require a process of negotiation and a signing of agreement between two governments. If there were no consents from the recipient country, the foreign aid cooperation could not be launched. Third, Ministry of Foreign Economic Relations had its own bureau of budget planning for the aid implementation. It displayed the increased autonomy and capability of Ministry of Foreign Economic Relations for carrying out the aid projects. It was also a sign for the economic concerns on the foreign aid expenditure in the 1970s. Last but not least, China's foreign aid has been highlighting on the construction of public infrastructure, such as transportation and telecommunications since 1970s.

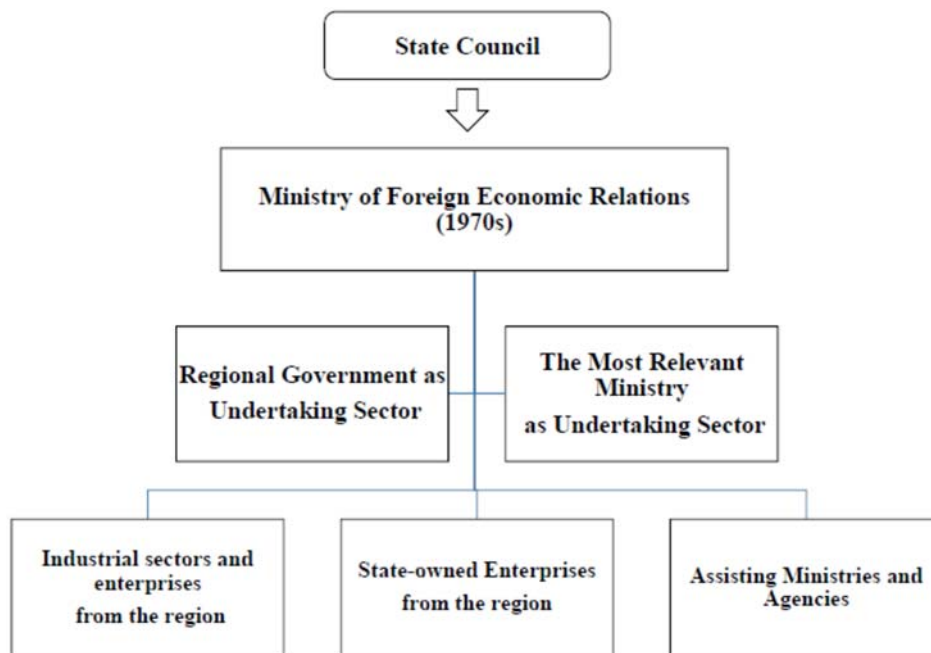


Figure 3- 2: The Responsibility System of the Undertaking Sector in the 1970s
 Source: Composed by the Author

3.3 China's Institutional Mechanism of Foreign Aid, 1978-2000

China started to reform its planned economy in 1978 and it had impacted the foreign aid mechanism from the 1980 onwards. The objective was to combine foreign aid administration with market economic policies, so that foreign aid projects could be more rational and economic interest orientated. Regarding the aid implementing patterns, a decentralized process had been unfolding. China firstly separated the government from the undertaking agencies among the regional provinces and granted more autonomy and responsibility to the designated provinces of aid projects. To put it another way, the regional provinces that had been assigned aid projects began to enjoy a full responsibility of the profits and losses during the aid implementation since the 1980s. It gave more economic incentive for the regional government and their affiliated enterprises to partake the aid projects, because they can actually make profits out of the projects as long as it is line with the agreement. In the early 1990s, a bidding mechanism was inducted. It means that the selection for the most suitable undertaking agency of

aid implementation had been modified into a more market-orientated measure via a bidding competition. It was no longer a direct appointment from the top decision-making organ, but the selection was based on a competitive bidding process. Lastly, when more and more provincial sectors acquired the status of legal person enterprises and gained experiences of conducting overseas aid projects, the “contractor accountability system” was launched in 1983 and allowed the legal person enterprises (mostly state-owned enterprises) to have the ability to participate in the bidding directly for undertaking the aid projects. In addition, the winners of the bidding can enjoy full responsibility of the benefits and losses of aid projects.

3.3.1 The Ministry of Foreign Economic Cooperation and Trade in 1982

Since the 1980s, China’s foreign aid policy makers were attempting to combine foreign aid administration and market-orientated economic policies.⁴⁰ In March 1982, under the direction of the 22nd Session of the Standing Committee of the 5th NPC, the Ministry of Foreign Economic Cooperation and Trade was established to streamline the coordination and administration of foreign aid management via an integration of the Ministry of Foreign Trade, State Import and Export Administration and State Foreign Investment Administration Commission.⁴¹ The purpose of Ministry of Foreign Economic Cooperation and Trade was to implement the policies of foreign economic relations and trade, to regulate and coordinate the economic activities of all provinces, municipalities, autonomous regions and all departments under the State Council, to

⁴⁰ 石林，《當代中國的對外經濟合作》(北京：中國社會科學出版社，1989年版)，頁89。

⁴¹ State Import and Export Administration Commission and State Foreign Investment Administration Commission were established in 1979 to govern the export/import trade and investment, make a full advantage of international resources. See The Ministry of Commerce of the People's Republic of China, “The History,” *The Ministry of Commerce of the People's Republic of China*, <http://english.mofcom.gov.cn/column/history.shtml>

develop foreign trade and more importantly, to provide economic and technological assistance to third world countries and enhance multilateral and bilateral economic and technological cooperation, fully adapting the foreign capitals, exporting export foreign project contracts and labor service overseas.⁴²

3.3.2 The Chinese Aid Delivery Mechanism in the 1980s

The patterns of foreign aid implementation in the 1980s aimed to separate the government from the functions of undertaking agencies of foreign aid projects, bring in market-orientated calculation when making decisions, and transform the foreign aid projects from political appointed tasks to a profit-driven investment among all enterprises and project contractors.

Investment Lump Sum Contracting System, 1980-1983

By replacing the previous “responsibility system of the undertaking sector in 1970s,” the “investment lump sum contracting system” in the early 1980s was a starting point for the undertaking units (local government or departments of a chosen province) to gain more autonomy and to be responsible for the economic revenue and losses.⁴³ Shi Lin, vice Minister of Ministry of Foreign Economic Relations in the 1970s said that “Investment Lump Sum Contracting System” was a result of combining economic approach and administrative reform for an upgraded foreign aid implementation.⁴⁴ On November 8, 1980, China’s State Council and the Ministry of Foreign Economic Relations (predecessor to The Ministry of Foreign Economic Cooperation and Trade)

⁴² *Ibid.*

⁴³ A lump-sum payment is a large sum that is paid in one single payment instead of broken up into different parts. A lump sum investment is of the entire amount at one payment. See The Economic Times, “Definition of Lumpsum,” *The Economic Times*, 2019 <https://economictimes.indiatimes.com/definition/lumpsum>

⁴⁴ 石林，〈當代中國的對外經濟合作〉，頁 89。

issued an official document entitled “Some Opinions on Doing a Serious Job of Foreign Aid” to enforce the Investment Lump Sum Contracting System and declared that the management of foreign aid tasks should be in line with the economic interests and logic.⁴⁵ Furthermore, the Ministry of Foreign Economic Relations forwarded a “Measure on Investment Lump Sum Contracting System for Foreign Economic Projects” on December of 1980.⁴⁶ As displayed in Figure 3-3, it stipulated that the Ministry of Foreign Economic Cooperation and Trade can entrust a foreign aid project to a provincial government and this contracting regional government was able to enjoy a full responsibility on the operation, technology and economic interests in accordance with the China’s policies, laws and the signed agreements with the recipient country.⁴⁷

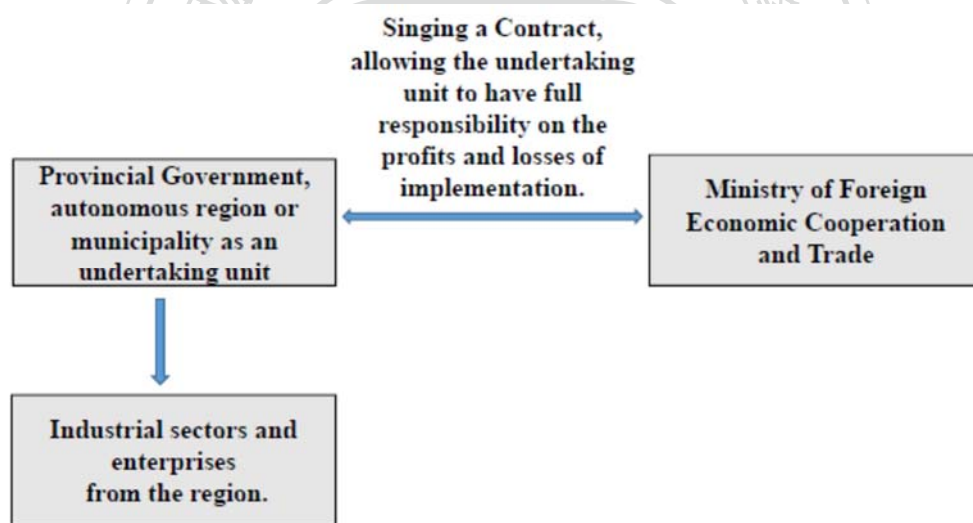


Figure 3- 3: Investment Lump Sum Contracting System

Source: Composed by the Author

Contractor Accountability System, 1983 to 1993

With more and more state owned enterprises and technological companies have gained international experience of cooperation and to be recognized as a legal person

⁴⁵ 中華人民共和國商務部，〈商務大事記 1980 年〉。

⁴⁶ Hong Zhou, “China’s Foreign Aid Policy and Mechanisms,” p. 23.

⁴⁷ *Ibid.*

by the State Council, the bidding mechanism has been inducted with the newly stipulated “contractor accountability system” in 1983.⁴⁸ For those qualified legal person enterprises, they are allowed to have an opportunity to compete in bidding for a foreign aid project. During the process of bidding, the most qualified enterprise could win the bid and take a full accountability on the implementation, interests and losses of the project. The Contractor Accountability System made a great difference on the contracting units, shifting from the local governments to legal person enterprises.

On December 1983, the Ministry of Foreign Economic Cooperation and Trade issued “Interim Rules on the Contractor Accountability System for Foreign Economic Aid Projects” and launched a new phase of directly engaging legal person enterprises via a market-force driven bidding mechanism.⁴⁹ Investment Lump Sum Contracting System was replaced by Contractor Accountability System for changing the contracting units from the previous provincial governments to enterprises, which have legal person status.⁵⁰ In compliance with China’s “Provincial Regulations on State-owned Industrial Enterprises” enacted in 1983 before the establishment of Contractor Accountability System, the legal person enterprises were described as legal persons represented by factory directors with the power “to exercise the lawful functions of possessing, utilizing and disposing of the state property entrusted to them by the state for management, to organize production and management independently, and to shoulder the responsibility stipulated by the state.”⁵¹ The definition of an enterprise legal person reflects the essence of the contractor accountability system in the 1980s in the way that an enterprise legal person can bid for a contracting foreign aid project and

⁴⁸ 石林，〈當代中國的對外經濟合作〉，頁 73。

⁴⁹ 黃梅波，胡建梅，〈中國對外援助管理體系的形成與發展〉，頁 35。

⁵⁰ *Ibid.*

⁵¹ Jianfu Chen, *From Administrative Authorisation to Private Law: A Comparative Perspective of the Developing Civil Law in the People's Republic of China* (Berlin: Springer, 1994), p. 90.

to implement independently after winning the bid.

The bidding of the “contractor accountability system” has to be arranged by the Ministry of Foreign Economic Cooperation and Trade in line with the guidelines of central government and fiscal index issued by the Ministry of Finance (see Figure 3-4). Before bidding, an inter-governmental cooperation agreement is required to be signed by the Chinese government and the foreign government. In addition, a signed concessional loan agreement between the foreign government and the Export-Import Bank of China is also needed. After these two legal documents, the Ministry of Foreign Economic Cooperation and Trade can arrange the bidding in line with the settled obligation for those qualified legal person enterprises. The winner of the bidding would be the contractor of this foreign aid project based on a contract between the enterprise and Ministry of Foreign Economic Cooperation and Trade. The contracting enterprise was responsible for the entire implementation from the research and design to the completion and review, as well as the profits and losses.

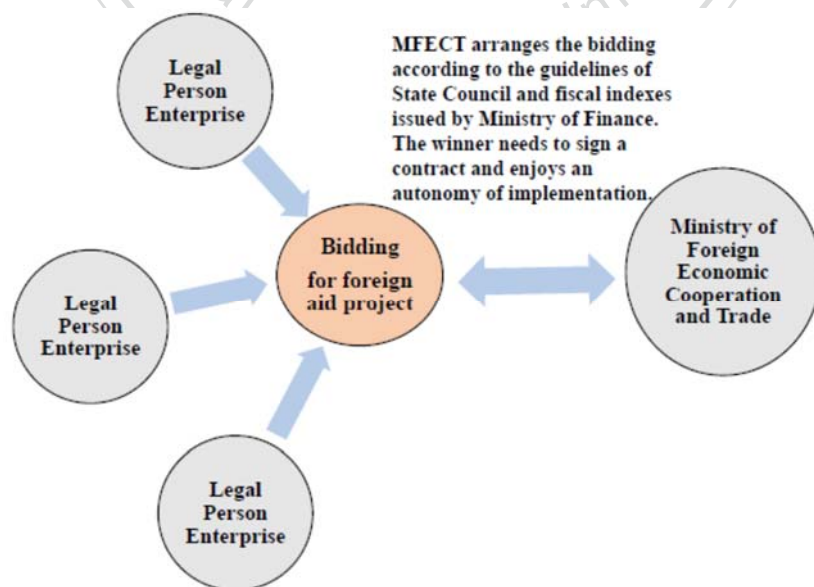


Figure 3- 4: Contractor Accountability System

3.3.3 Evaluation: Separating the Government from the Functions of Undertaking Agencies of Foreign Aid

China's foreign aid institution in the 1980s had gone through a series of significant changes. First, the relationship between the representative of central government (Ministry of Foreign Economic Cooperation and Trade) and the undertaking agency (provincial government) was no longer a top-down hierarchical order, but a contract, which was more business orientated rather than political command. Second, there was a retreat of the direct influence the State Council in the aid implementation. The undertaking agency of aid projects can enjoy a full responsibility of the profits and losses. It generated strong economic incentive for provincial governments and its affiliated enterprises to participate in the aid projects. Third, the rising role of legal person enterprises in foreign aid via a bidding mechanism has changed the entire landscape of Chinese aid implementation. Since the commence of the Contractor Accountability System in 1983, provincial governments were no longer the chief undertaking contractors of foreign aid projects, because legal person enterprises were allowed to directly join the bidding and take a full responsibility of the aid implementation. As result, these commercially driven enterprises gradually turned into the major contractors of Chinese aid projects.

The major difference between investment lump sum contracting system and the previous aid implementation system before 1980 is the contracting nature of foreign aid task.⁵² Investment lump sum contracting system was based on a contract signed by the local government and central government (usually represented by Ministry of Foreign

⁵² Ai Ping, "From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95," p. 189.

Economic Cooperation and Trade). It was no longer based on a political or administrative order directed by the central government to ask the provincial government to fulfill contain overseas projects for diplomatic interests. Therefore, it makes the foreign aid project itself contained less political and administrative direction, but more rational calculation on the economic interests and efficiency. It involved a negotiation between the undertaking unit from the provincial government and the central government, especially on the amount of profits that should be delivered to the central government. More importantly, by signing the contract, the contracted unit shall enjoy a full responsibility of the aid implementation including the profits and losses. It means that the contractor can have a full retention of the excess profits. Given this, the undertaking agency would give the best performance in accordance with the contract and try to maximize the economic interests from the project. It certainly raised the economic incentive for the provincial governments to take part in China's foreign aid deployment.

The establishment of the Ministry of Foreign Economic Cooperation and Trade in early 1982 was an embodiment of China's administrative reform of decentralization. Besides the clear goal of perusing economic interests via foreign aid projects in the normative guidance, a certain level of institutional decentralization was taking place in 1982 by giving more autonomy to the executive agencies of aid projects. The idea was to separate the governmental administration from the enterprise functions, leaving more space for the enterprises to make its own rational and profitable decisions, so that the aid projects could be more practical, efficient, and rationally driven by the market competition.⁵³ It is because China realized that instead of carrying out a highly

⁵³ Mengzhong Zhang and Marc Holzer, "Chinese Administrative Reforms: A Replica or Derivative of the Western NPM Model?" *Chinese Public Administration Review*, Vol. 8 No. 1 (2017), p. 29.

centralized planning economy, the central government should focus on delivering macro management, creating a favorable market environment and returning the power to the executive agencies and state-owned enterprises, so that the economic development could be more internationalized, competitive and effective.⁵⁴

Along with the administrative reform of decentralization, the contractor accountability system in 1983 decided to allow China's legal person enterprises to join the bidding mechanism of competition. The winner of the tender shall take a full responsibility of the profits and losses of the contracted aid projects. Since the practice of contractor accountability system in the 1980s, Chinese enterprises have become major actors of carrying out China's overseas aid projects. More importantly, their priority was economic interests, because this was the incentive for them to join the bidding in the first place.

3.3.4 Ministry of Foreign Trade and Economic Cooperation in 1993

With respect to the central guidance of "socialist market economy," the atmosphere of resuming the legitimate seat in General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO), and continuous reform of trade liberalization, the 1st Session of the 8th NPC held on March 16, 1993 decided to establish Ministry of Foreign Trade and Economic Cooperation and assigned Wu Yi as the first Minister.⁵⁵ The motive of setting up Ministry of Foreign Trade and Economic Cooperation could be found in Chinese Premier Li Peng's official report addressed in the first Session of the 8th NPC.⁵⁶ At first, Li Peng declared that the core policies were still economic

⁵⁴ Xu Songtao, "China's Public Administration Reform: New Approaches," Japan/IIAS Joint Panel on Public Administration at Athens, Greece, 11 July 2001, http://www.iam.or.jp/asia-pacific_panel/pdfdownloads/athens01-paper4.pdf

⁵⁵ The Ministry of Commerce of the People's Republic of China, "The History," *The Ministry of Commerce of the People's Republic of China*, <http://english.mofcom.gov.cn/column/history.shtml>

⁵⁶ 李鵬, 〈政府工作報告〉, 《中國政府網》, 1993年3月15日, <http://www.gov.cn/test/2008->

development, reform and open while maintaining a sustainable social stability. Second, Li Peng addressed the problems of missing the boundary between functions of government and enterprises, inefficient government administration, worries of energy supply and the not yet resumed membership in GATT. Third, Li Peng suggested to greatly expand international markets, increase exports of high-end products and sets of equipment, further develop the scale of overseas projects constructing, give more autonomy to enterprises when they are making trading decisions, enhance China's international financing capability and bring in more foreign capitals to the domestic market.⁵⁷ In short, the task for Ministry of Foreign Trade and Economic cooperation in 1993 was to push the trinity of foreign aid, trade and investment in order to meet the mentioned objectives.

We can find that not only the Ministry of Foreign Trade and Economic cooperation was still the competent authority that governed and directed China's foreign aid, the ministerial organization itself had gained more autonomy, putting more emphasis on the law and legal procedures, paying more attention on the multilateral aid, and attempting to be deeply harmonized with international standards. The significant functions of the Ministry include:⁵⁸

- (1) To formulate the laws and regulations governing foreign trade and economic cooperation and foreign investment, as well as to enforce rules and administrative regulations and to harmonize China's economic laws with international treaties and agreements
- (2) To form and execute medium and long-term programs and development strategies of foreign trade, make research and analysis, propose policy recommendations to

04/15/content_945114.htm

⁵⁷ *Ibid.*

⁵⁸ The Ministry of Commerce of the People's Republic of China, "The History."

the State Council

- (3) To form and execute policies concerning trade in technology, increase the export and import of technologies
- (4) To manage China's aid to foreign countries, to implement China's foreign aid policies, regulations and plans, and sign relevant agreements as well as to organize annual foreign aid programs, supervise and inspect the implementation of China's foreign aid projects, manage foreign aid fund, concessional loans, special funds and other foreign aid funds, and to push reform on foreign aid models
- (5) To be responsible for China's foreign economic cooperation, to guide and monitor the regulation of overseas contracted projects, labor cooperation, designing and consulting businesses
- (6) To form and execute country-specific (or region-specific) policies on foreign trade and economic policies, hold economic and trade negotiations with foreign governments and sign relevant documents; handle important affairs on economic and trade relations with foreign countries and regions; guide the work of economic and commercial counselor's offices of Chinese embassies in foreign countries.
- (7) To formulate and execute multilateral and bilateral trade and economic cooperation policies, be responsible for negotiations and signing of the international treaties and agreements on economy and trade, manage multilateral and bilateral free aid and donation for China, to manage affairs on economic and technological cooperation of the United Nations development system and relevant international organizations.

3.3.5 The Chinese Aid Delivery Mechanism in the 1990s

China's aid delivery mechanism in the 1990s aimed at enhancing the competitive market-driven quality of the bidding system of contracting aid projects. Given the fact

that many legal person enterprises used to be one of the provincial governments' offices or branches and enjoyed a certain degree of monopoly in the industry, the bidding mechanism had not been fully fulfilled. It was not until the year of 1993 that the Contractor Accountability System was upgraded to Enterprise Contract Responsibility System, the quality and fairness of the bidding had been reinforced.

Enterprise Contract Responsibility System, 1993-present

In addition to the newly established Ministry of Foreign Trade and Economic Cooperation on March 16, 1993 and the continuous administrative reform of separating the administrative function from the enterprises, the Contractor Accountability System was upgraded to Enterprise Contract Responsibility System on March 17, 1993 to ensure the quality of bidding and aid project implementation.⁵⁹ The Ministry of Foreign Trade and Economic Cooperation issued an official “Notice on the Reform of the Foreign Aid System” on March 17, 1993.⁶⁰ This official Notice clarified the motive and the core content of Enterprise Contract Responsibility System. At first, it reiterated that in accordance with Premier Zhou Enlai’s Eight Principles for Economic Aid and Technical Assistance and the administrative reform of separating the government and enterprise, Chinese foreign aid would mainly help recipient countries to develop small and medium-sized production projects with local needs and resources as well as to develop mutually beneficial cooperation, trade relations and common development. Second, the State Council decided to transform the China Complete Plant Export Corporation into a legal person enterprise, which is entitled “China National Complete

⁵⁹張勉勵，〈中國對外經濟技術援助調整與改革述論〉，《中華人民共和國國史網》，2015年11月18日，http://www.hprc.org.cn/gsyj/yjjg/zggsyjxh_1/gsnhlw_1/baguoshixslwj/201110/t20111018_4004376_2.html。

⁶⁰對外經濟貿易部，〈對外經濟貿易部關於我部改革援外管理體制的通知〉，《正保法律教育網》，1993年3月17日，<http://www.chinalawedu.com/falvfagui/fg22016/6530.shtml>。

Plant Import and Export Corporation.”⁶¹ Third, the Notice declared that the Ministry of Foreign Trade and Economic Cooperation will establish “Enterprise Contract Responsibility System” to select the most qualified enterprise from a competitive mechanism of bidding with a highlight on the evaluation of technology, audit, inspection and project acceptance. Fourth, the contracting enterprise shall enjoy full autonomy within the scope of the inter-government agreement signed by the Chinese government and recipient government and it should be responsible for the overall economic and technical interests. The Notice also added that the contracting enterprise is responsible for management of experts, technicians and personnel involved in the foreign aid project and their political ideology is included.

Despite the similarity between the previous Contractor Accountability System (1983-1993) and the Enterprise Contract Responsibility System (1993-present), the contrast between these two implementing systems is that the later system has a more qualified mechanism of bidding competition than the former system as displayed in Figure 3-5. Even though the Contractor Accountability System had a bidding mechanism of selecting the most qualified enterprise for the aid project, the rules of the market and of pricing were not been completely fulfilled due to the fact that many enterprises used to be foreign aid offices or regional governmental agencies subject to the provincial governments or ministries and they had enjoyed economic and industrial

⁶¹ The China Complete Plant Export Corporation was founded by Zhou Enlai in 1959 and used to be a department (later become a governmental institute) subject to the Ministry of Foreign Trade in the 1950s, Ministry of Foreign Economic Relations in the 1970s, and Ministry of Foreign Economic Cooperation and Trade in the 1980s and Ministry of Foreign Trade and Economic Cooperation in the early 1990s. It was the main organ carrying out the actual implementation of foreign aid projects abroad and has been exporting equipment for agriculture, electric power, transportation, infrastructure construction, and health industries. It also exports products related to machinery, agriculture, textile, light industry, iron and steel, culture, education, chemical industry, and hardware and building materials. It turned into a legal person enterprise in 1993. Please see Ai Ping, “From Proletarian Internationalism to Mutual Development: China’s Cooperation with Tanzania, 1965-95,” in Goran Hyden and Rwekaza Mukandala eds. *Agencies in Foreign Aid: Comparing China, Sweden and the United States in Tanzania* (New York: Macmillan Press Ltd, 1999), p. 171; 中國成套設備進出口集團有限公司, 〈發展歷程〉, 《中國成套設備進出口集團有限公司》, http://www.complant.com/portal/about/fzlc/A090105index_1.htm

monopoly to a certain degree.⁶² The real competition and bidding were difficult to achieve at the stage of the Contractor Accountability System. Hence, the Enterprise Contract Responsibility System has strengthened the supervision system to assign projects, to ensure the competitive mechanism really takes place and to check whether aid project would be priced according to the international market price.⁶³

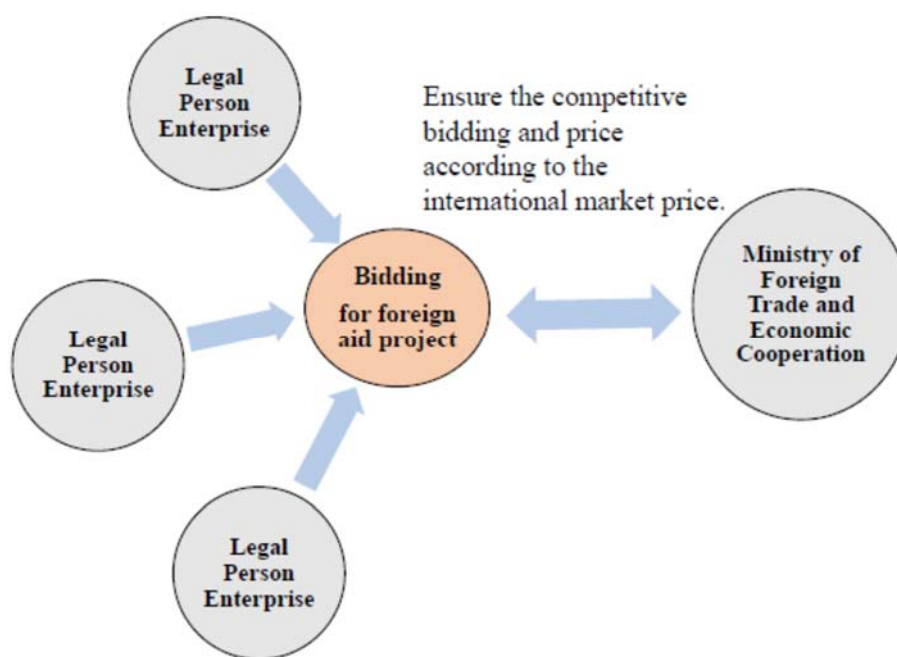


Figure 3- 5: Enterprise Contract Responsibility System
Source: Composed by the Author.

3.3.6 Evaluation: Chinese Enterprises become the Chief Contracting Actors of Foreign Aid Implementation

China’s aid institution in the 1990s has established the market-driven and profit-oriented foundation of China’s foreign aid projects in the 21st century. The Ministry of Foreign Trade and Economic Cooperation had gained more autonomy in the process of

⁶² Hong Zhou, “China’s Foreign Aid Policy and Mechanisms,” p. 23.

⁶³ Ai Ping, “From Proletarian Internationalism to Mutual Development: China's Cooperation with Tanzania, 1965-95,” p. 191.

decision-making of foreign aid while the reform of separating the government from the enterprises still went on in the 1990s making China's enterprises (mostly state-owned enterprises) influential actors of Chinese aid projects. The Enterprise Contract Responsibility System launched in 1993 was aimed at selecting the most competitive contractor of aid projects pursuant to the market rules, instead of political consideration. That being said, the most important three domestic actors of China's foreign aid from 1993 onwards are the Ministry of Foreign Trade and Economic Cooperation, China's legal person enterprises and the export-import bank of China. Since these actors are business first actors, China's foreign aid projects have been rooted in an institutional structure of commerce and rational calculation for economic interests since the 1990s.

With respect to the fact that Ministry of Foreign Trade and Economic Cooperation had gained more autonomy in the process of decision-making, law-making, foreign aid policy planning and funds supervising, it has become the competent authority of foreign aid since the 1990s. In fact, China's foreign aid has always been under the direction of the predecessors of Ministry of Foreign Trade and Economic Cooperation. It was never the Ministry of Foreign Affairs. This demonstrates that China's foreign aid is deeply entangled with China's economic development.

The administrative reform of separating the government from the enterprises was still going on in the early 1990s. The purpose was aiming at a more effective, rational and profit-seeking mechanism of foreign aid. In fact, this reform of decentralization and streamlining the government structure went even further in 1998 by shifting 280 functions from the State Council to the Chinese enterprises, social intermediate organizations and local governments.⁶⁴ Under the trend of this reform, not only the

⁶⁴ Mengzhong Zhang and Marc Holzer, "Chinese Administrative Reforms: A Replica or Derivative of the Western NPM Model?" *Chinese Public Administration Review*, Vol. 8 No. 1 (2017), p. 29.

Ministry of Foreign Trade and Economic Cooperation had gained more autonomy in decision-making, China's enterprises have become the main contracting actors to complete foreign aid projects abroad. With the retreat of the government and the reformed bidding system, these conducting enterprises are motivated by economic interests, instead of political consideration.

By grating a more soundly based bidding system, which is in line with the market-driven calculation, the Enterprise Contract Responsibility System launched in 1993 has displayed China's determination of reform and to be more harmonized with the international standard for pursuing economic profitability. There was bidding system in the contractor accountability system started in 1983; however, the actual competitiveness was lacking due to the fact that most of legal persons enterprises were once a branch or office of the provincial government and enjoyed a certain degree of monopoly-like practice. Thus, they were not used to competing mechanism in the bidding. The lack of competition caused negative effects to the efficiency and productivity of the legal person enterprises (mostly state-owned enterprises). Nevertheless, the Enterprise Contract Responsibility System fixed this problem with clearly defined measures and orders. The implication of this reformed bidding system of contractor selection indicates a tendency to seek economic profitability performed by the most competitive enterprises that could effectively complete the foreign aid project in the recipient country. Figure 2-3 has shown that the capacity of Chinese enterprises are related to the quantity and quality of China's foreign aid projects. It would not be a rational and profit-seeking gesture to dispatch an enterprise, which is not capable of fulfilling the foreign aid cooperation agreement and unable to compete with foreign enterprises.

Since the year of 1993, as long as the contracting enterprises are in compliance with the bilateral aid project agreement signed by the Chinese government and recipient government, the contracting enterprises enjoy a full autonomy in the implementation including the profits and losses. Moreover, since the mechanism of “investment lump sum contracting system” in the 1980s, the relationship between Ministry of Foreign Trade and Economic cooperation or its predecessors and project contractor (used to be provincial governments and then changed to legal person enterprises) was no longer a top-down commanding relationship, but a contracting relationship, which involves negotiation in terms of profit delivery to the government and retention. These measures that were made to boost the efficiency and productivity of contracting enterprises (mostly State Owned Enterprises, SOEs) have allowed Chinese enterprises to become an independent actor to carry out foreign aid projects.

In this regard, the Ministry of Foreign Trade and Economic Cooperation no longer intervened the operational level conducted by the contracting enterprises. The Ministry was responsible for the law, regulation, policy, program planning, budget planning, supervision and inspection. The implementation of foreign aid projects was in charge by the enterprises with their market-driven behaviors since they can enjoy full responsibility of losses and profits.⁶⁵ The export-import bank of China was in charge of the financing and concessional loan at the operational level as well. If a foreign government wants to receive Chinese concessional loan, an inter-governmental agreement is required to be signed beforehand by both governments. After the inter-governmental signing of bilateral agreement, the foreign government needs to sign a loan agreement with the export-import bank of China. Nevertheless, since the 1990s, China’s foreign aid tasks are defined by three domestic actors of China, namely the

⁶⁵ Hong Zhou, “China’s Foreign Aid Policy and Mechanisms,” p. 31.

Ministry of Foreign Trade and Economic Cooperation, the legal person enterprises, and the export-import bank of China as illustrated in Figure 3-6.

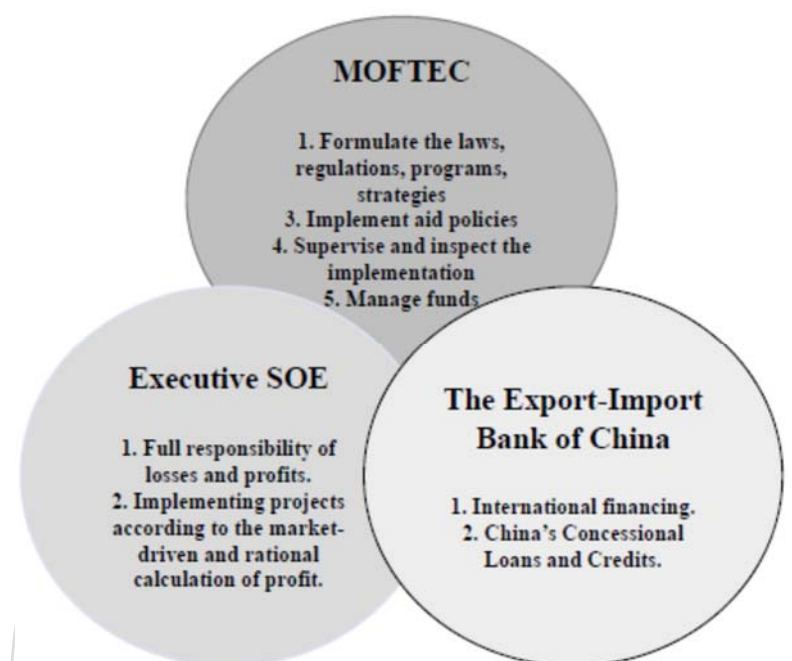


Figure 3- 6: Three major actors of Chinese aid implantation.
(Composed by the Author)

3.4 China's Institutional Mechanism of Foreign Aid, 2000-2018

By entering the 21st century, while the aid delivery pattern remains the same as the Enterprise Contract Responsibility System, the aid institutional mechanism has been through a few adjustments for adapting a comprehensive development of China's foreign aid tasks in line with the FOCAC commitments. Although the MOFCOM, the successor to the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), still possesses a leading role of Chinese aid administration and implementation, the Ministry of Foreign Affairs has been taking up more roles in aid projects due to the multiple sectors of Chinese aid and the need to establish diplomatic liaison with a variety of foreign governmental sectors in the recipient countries. Furthermore, since China's

foreign aid projects have incorporated different sectors such as agriculture, education, Information and Communication Technologies (ICTs), etc., it has become challenging for the Ministry of Commerce to coordinate all the relevant Ministries and government agencies. As result, a top-level coordinating committee was established in 2008 and upgraded to a ministerial coordination framework in 2011. In 2018, the CIDCA was created to better facilitate the cross-ministerial coordination. Despite the multiple layers of China's aid institutional mechanism, the Ministry of Commerce is still taking the lead. In other words, China's foreign aid task aims at economic development as a priority, instead of China's extended political influence.

3.4.1 The Leading Role of MOFCOM and Its Five Key Agencies

As a successor to the MOFTEC, MOFCOM established in 2003 has become the leading ministerial agency of Chinese foreign aid in conformity with the top decisions made by the State Council. The White Paper of China's Foreign Aid issued in 2011 states that the Ministry of Commerce is the administrative department authorized by the State Council to oversee foreign aid.⁶⁶ Ministry of Commerce is responsible for the formulation of foreign aid policies, regulations, overall and annual plans, inspection and approval of foreign aid projects and management of the project implementation. In the case of Chinese aid to African countries, there are five key agencies of MOFCOM that handle the main tasks of Foreign aid, including Department of Foreign Assistance, the Agency for International Economic Cooperation (AIECO), and the Department of Western Asia and African Affairs, China International Center for Economic and Technical Exchanges (CICETE), and Academy of International Business Officials

⁶⁶ Information Office of the State Council The People's Republic of China, "China's Foreign Aid (2011)," *State Council*, April, 2011, http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm

(AIBO) as shown in Figure 3-7.⁶⁷

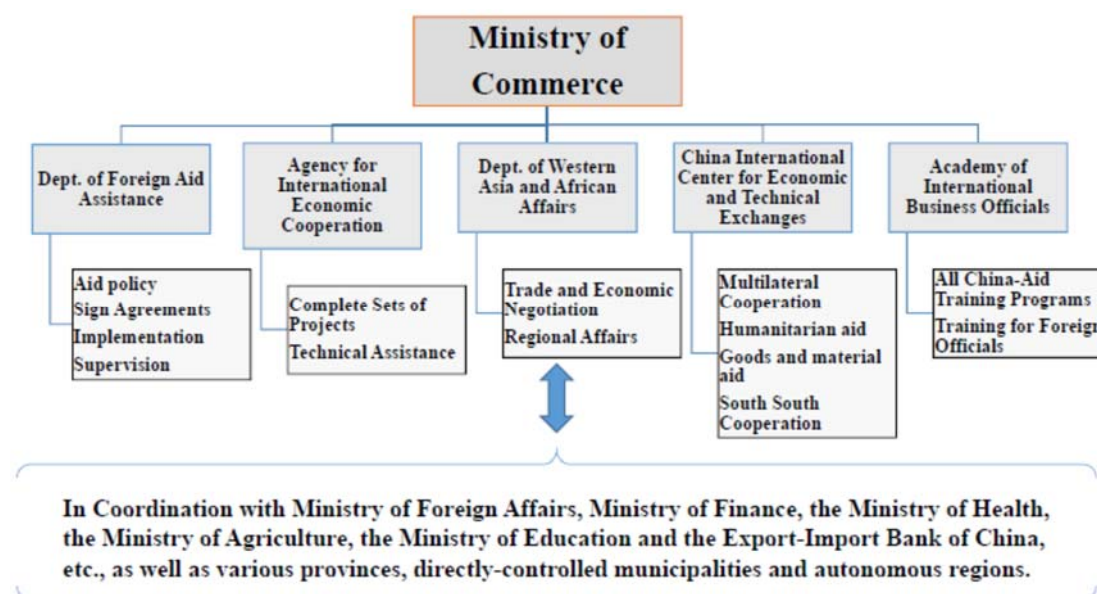


Figure 3- 7: Leading Role of Ministry of Commerce in China's Foreign Aid and Its Five Key Agencies

since 2003

Source: Composed by the Author

The Department of Foreign Assistance formulates and organizes the aid policies and programs, promote reform of foreign aid implementation, organize aid negotiations, sign agreements with foreign governments and supervise the aid project implementation.⁶⁸

In addition, the AIECO is responsible for organizing, implementing and supervising China's complete set of projects and technical assistance projects.⁶⁹ Li Xiaobing, Director of AIECO said that this agency has been implementing 500 foreign aid projects (mostly complete set of projects) each year in over 120 countries.⁷⁰ Regarding the

⁶⁷ Zhangxi Cheng and Ian Taylor, *China's Aid to Africa Does Friendship Really Matter?* pp. 62-64.

⁶⁸ 中華人民共和國商務部對外援助司,〈重要職能〉,《中華人民共和國商務部》,5月8號,2015年, <http://yws.mofcom.gov.cn/article/gywm/200203/20020300003746.shtml>

⁶⁹ 商務部國際經濟合作事務局,〈機構簡介〉,《商務部電子商務和資訊化司》,8月9日,2016年, <http://jjhzj.mofcom.gov.cn/article/guanywm/201608/20160801375907.shtml>

⁷⁰ *Ibid.*

operation of complete set of projects, the AIECO is responsible to negotiate the implementing agreements with recipients, selecting Chinese enterprises to carry out the projects via bidding procedures, manage technical preparation before launching the projects, and oversee the quality, management of risks and safety.⁷¹ China's White Paper of China's Foreign Aid issued in 2011 stated that complete set of projects are a major form of China's foreign aid financed by China's concessional loan and by the end of 2009, China had completed over 2000 complete sets of projects in sectors of industry, agriculture, culture and education, health care, communication, power supply, energy, transportation and others.⁷² This indicates the fact that AIECO plays a significant role in China's foreign aid to Africa, because this agency, subject to the Ministry of Commerce is in charge of the complete sets of projects. More importantly, AIECO has to coordinate with other ministerial agencies such as Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Health, the Ministry of Agriculture, the Ministry of Education and the Export-Import Bank of China, etc., as well as the various provinces, directly-controlled municipalities and autonomy regions.⁷³

Department of Western Asia and African Affairs of Ministry of Commerce is the third significant agency of Chinese aid to Africa from the year of 2000 onwards. This Department is designed to formulate and organize development strategies, plans and policies for economic and trade cooperation with the countries in the regions, establish bilateral and regional intergovernmental economic and trade committees and organize bilateral and regional economic and trade negotiations.⁷⁴

⁷¹ Agency for International Economic Cooperation, "Forward," *Agency for International Economic Cooperation*, <http://english.aieco.org/foreword>

⁷² Information Office of the State Council The People's Republic of China, "China's Foreign Aid (2011)," *State Council*, April, 2011, http://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284620.htm

⁷³ Hong Zhou, "China's Foreign Aid Policy and Mechanisms," p. 32.

⁷⁴ 中華人民共和國商務部西非亞洲司,〈重要職能〉,《中華人民共和國商務部》,5月25日,2016年, <http://xyf.mofcom.gov.cn/article/gywm/200203/20020300002546.shtml>

With more and more foreign aid tasks and expanding sectors, CICETE, and AIBO were established to share the workloads. The CICETE was long established in 1983 directly under the Ministry of Commerce and it has been designated to coordinate the cooperation between China and United Nations Development Programme (UNDP), as well as United Nations Industrial Development Organization (UNIDO).⁷⁵ In other words, CICETE symbolizes China's multilateral engagement of foreign aid projects. More importantly, CICETE is responsible for the management of goods and material aid,⁷⁶ the cooperation with Non-Governmental Organizations and the South-South cooperation fund.⁷⁷ It is declared that the CICETE has coordinated with over 150 international organizations and multilateral agencies and has accomplished more than 800 projects accounted US\$ 8 billion in the past 30 years.⁷⁸ The projects of CICETE are more humanitarian compared to the projects of AIECO.

Furthermore, the AIBO, also known as Training Center of the Ministry of Commerce is another significant agency aims to provide training classes for both China and foreign governments' officials. In 2008, AIBO has been authorized to manage and coordinate all China-Aid training programs.⁷⁹ It is said that AIBO is closely cooperating with well-known universities and institutions in the United States, European countries and Japan; moreover, it has partnerships with enterprises, universities and social groups in China.⁸⁰ Hence, training courses for foreign officials do not have to take place in the AIBO, but it could be undertaken by other universities

⁷⁵ 中國國際經濟技術交流中心，〈中國國際經濟技術交流中心簡介〉，《中華人民共和國商務部》，<http://cicete.mofcom.gov.cn/article/aboutUs/>

⁷⁶ Goods and Material aid covers materials for production and living, technical products or single-item equipment, and necessary technical services. See Information Office of the State Council, the People's Republic of China, "China's Foreign Aid (2011)."

⁷⁷ *Ibid.*

⁷⁸ *Ibid.*

⁷⁹ 商務部國際商務官員研修學院，〈學院職責〉，《中華人民共和國商務部國際商務官員研修學院》，9月24日，2016年，<http://www.china-aibo.cn/class/view?id=9>

⁸⁰ *Ibid.*

and institutions in China via the cooperation with AIBO. The scale of China's training courses offered to foreign officials has encompassed a variety of sectors, including language, development policy, agriculture, electricity, energy, telecommunication, tourism, business, governance, etc. It is estimated that around 10 thousand African officials are trained in China every year.⁸¹ While many researchers are eyeing on the overseas Confucius Institutes, few have realized the significance of AIBO in China's aid program and soft power projection. The work of AIBO deserves more academic attention in the future.

3.4.2 The Multi-Level Institution of FOCAC

The institutional framework of FOCAC led by the Ministry of Commerce and Ministry of Foreign Affairs reflects the complex and multi-level coordination of China's aid to African countries since the year of 2000. With the embedded foreign policy goals in the FOCAC action plans, China's Ministry of Foreign Affairs (MFA) has been assuming more roles in the program of Chinese aid to Africa. For instance, the overseas Economic and Commercial Counsellor's Offices of MOFCOM have to be conformed to the direction of Ministry of Foreign Affairs and closely work with the Chinese embassies.⁸² Furthermore, the Ministry of Finance (MOF) also has an indispensable role in China's foreign aid, because it is in charge of the finance. China's White Paper of Foreign Aid in 2011 states that when drafting the foreign aid programs

⁸¹ Henry Tugendhat and Dawit Alemu, "Chinese Agricultural Training Courses for African Officials: Between Power and Partnerships," *World Development*, Vol. 81 (2016), p.1.

⁸² China has 44 Embassies in Africa, including Embassies in Angola, Benin, Botswana, Burundi, Chad, Cameroon, Cape Verde, Central Africa, Comores, Congo, Coted'Ivoire, Djibouti, D.R. Congo, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, South Africa, Somalia, Tanzania, Togo, Uganda, Zambia and Zimbabwe. See Ministry of Foreign Affairs, the People's Republic of China, "Chinese Embassies in Africa," *Ministry of Foreign Affairs, the People's Republic of China*, https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/2490_665344/2493_665350/

and foreign aid funds, the Ministry of Commerce has to regularly communicate with the Ministry of Foreign Affairs, Ministry of Finance and the Export-Import Bank of China and to seek their suggestions.⁸³ The White Paper also declares that China's foreign aid expenditure is part of the state expenditure, under the unified management of the Ministry of Finance in its budgets and final accounts system.⁸⁴ It implies that although the Ministry of Commerce is the administrative department authorized by the State Council to oversee foreign aid, there are other two key agencies in the FOCAC framework, namely the MFA and MOF. It is a three-legged situation.

The Chinese Follow-up Action Committee of FOCAC has two Chairs (currently Wang Yi, State Councilor and Minister of Foreign Affairs and Zhong Shan, Minister of Commerce)⁸⁵ and is directed via a Secretariat of the Follow-up Action Committee with at least 32 members of the Committee as displayed in Figure 3-8.⁸⁶ In the mechanism of FOCAC, it seems that the responsibilities have been equally shared by both the MOFCOM and MFA.

⁸³ Information Office of the State Council of the People's Republic of China, "China's Foreign Aid (2011)."

⁸⁴ *Ibid.*

⁸⁵ Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation, "Chinese Follow-up Committee of FOCAC," *Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation*, https://www.focac.org/eng/ltjj_3/zfhxxdwyh/

⁸⁶ Li Anshan, Liu Haifang, Pan Huaqiong, Zeng Aiping and He Weping, *FOCAC Twelve Years Later: Achievements, Challenges and the Way Forward* (Uppsala: Nordiska Afrikainstitutet, 2012), p. 21.

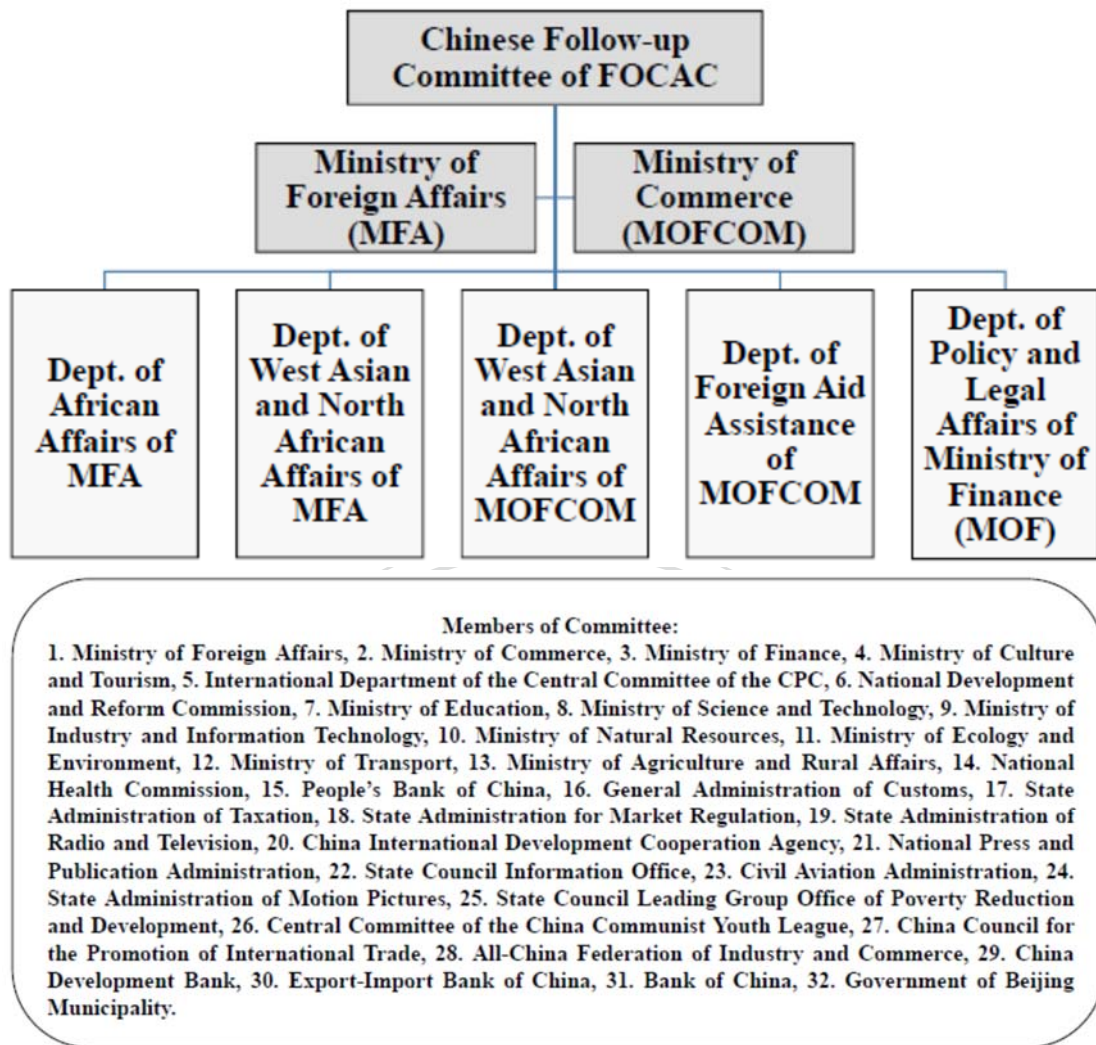


Figure 3- 8: Chinese Follow-up Action Committee of FOCAC

Sources: Author adapted from Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation, "Chinese Follow-up Committee of FOCAC," *Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation*, https://www.focac.org/eng/ltj_3/zfhxxdwyh/; Li Anshan, Liu Haifang, Pan Huaqiong, Zeng Aiping and He Weping, *FOCAC Twelve Years Later: Achievements, Challenges and the Way Forward* (Uppsala: Nordiska Afrikainstitutet, 2012), p. 21.

3.4.3 Establishing a Top-Level Coordinating Committee for Efficiency

In the late 2000s, Chinese government began to realize the problems of inter-department and inter-agency coordination of foreign aid projects given the fact that there were too many involved ministerial departments and agencies. In addition, the Ministry of Commerce was already under too much workloads of foreign aid implementation making it unable to handle the smooth coordination with other

ministries and departments.⁸⁷ The Ministry of Foreign Affairs was not able to carry out the efficient coordination, because Li Anshan finds that most of the officials from other participating institutions were assigned only on a temporary duty of FOCAC affairs.⁸⁸

Hence, a ministerial liaison mechanism of foreign aid was established in 2008 and it was upgraded to a ministerial coordination framework in 2011.⁸⁹ The ministerial coordination framework is participated by 24 ministries and the State Council. The Ministry of Commerce is the Chair of this framework and the Ministry of Foreign Affairs and Ministry of Finance are vice Chairs.⁹⁰ Despite that the MFA seems to share equal power with MOFCOM in the FOCAC system, but in the overall Chinese aid institution, MOFCOM still takes the lead.

3.4.4 First Ministry-Level Regulation of Foreign Aid

More importantly, the Department of Treaty and Law of MOFCOM released a “Measures for the Administration of Foreign Aid (Trial)” on December 15, 2014, which marked the first comprehensive ministry-level regulations regarding the administration of foreign aid.⁹¹ This Regulation has made a significant step for China, because not only they are willing to reveal the administrative regulation of China’s foreign aid, but this will further standardize and normalize the system of Chinese aid.⁹² Article Five of

⁸⁷ Li Anshan, Liu Haifang, Pan Huaqiong, Zeng Aiping and He Weping, *FOCAC Twelve Years Later: Achievements, Challenges and the Way Forward* (Uppsala: Nordiska Afrikainstitutet, 2012), pp. 45.

⁸⁸ *Ibid.* p. 43.

⁸⁹ 張勉勵,〈試析中國援外改革發展的歷史階段及其特徵〉,《中國社會科學院當代中國研究所》,2018年11月25日, http://www.hprc.org.cn/gsyj/wjs/gjyz/201901/t20190129_4819644.html

⁹⁰ Yanbing Zhang, Jing Gu and Yunnan Chen, “China’s Engagement in International Development Cooperation: The State of the Debate,” *Evidence Report No. 116*, 2015, https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/5838/ER116_ChinasEngagementinInternationalDevelopmentCooperationTheStateoftheDebate.pdf?sequence=1

⁹¹ 商務部條約法律司,〈對外援助管理辦法(試行)〉,《中華人民共和國商務部》,6月26日2015年, <http://tfs.mofcom.gov.cn/article/ghlt/a/201506/20150601024062.shtml>

⁹² United Nations Development Programme, “Measures for the Administration of Foreign Aid,” *United Nations Development Programme*, December 24, 2014, <http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/measures-for-the-administration-of-foreign-aid-.html>

the “Measures for the Administration of Foreign Aid” states that the MOFCOM shall be responsible for foreign aid work, including drafting the plans, organizing the implementation, selecting the foreign aid projects, and administrating the use of aid funds.⁹³ Overall speaking, the Measures for the Administration of Foreign Aid still recognizes the Ministry of Commerce as the chief ministerial agency of China’s foreign aid to African countries.

3.4.5 Establishing the CIDCA in 2018

The China International Development Cooperation Agency (CIDCA), a new ministry-level agency that aims to strengthen the strategic planning and overall coordination of foreign aid as well as to evaluate current and future Chinese foreign aid projects was established on April 18, 2018.⁹⁴ The 13th NPC and the 13th Chinese Political Consultative Conference have listed three priorities of CIDCA.⁹⁵ First, it aims to facilitate the coordination of foreign aid policy formation and implementation by mediating between competing ministries, especially the two leading actors, the MOFCOM and the MFA. While the MOFCOM emphasizes more on the commercial interests, the MFA demands a long-term political agenda planning.⁹⁶ CIDCA is designed to coordinate the competing policy goals of relevant ministries on the Chinese aid. Second, CIDCA is said to be critical to the improvement of efficiency of China’s foreign aid apparatus. It is expected to be the one-stop-window integrating important decisions on aid and coordinating the agencies tasked with implementation. Third, CIDCA will evaluate the quality and progress of foreign aid projects. Last but not least,

⁹³ 商務部條約法律司，〈對外援助管理辦法（試行）〉。

⁹⁴ Li fang, “China Unveils Int’l Development Cooperation Agency,” *Xinhua* April 18, 2018, May 6, 2019, http://www.xinhuanet.com/english/2018-04/18/c_137120544.htm

⁹⁵ 王勇，〈關於國務院機構改革方案的說明〉，《新華網》，2018年3月14日，http://www.xinhuanet.com/2018-03/14/c_1122533011.htm

⁹⁶ Jacob Mardell, “Foreign Aid With Chinese Characteristics,” *The Diplomat*, August 07, 2018 (5/3/2019) <https://thediplomat.com/2018/08/foreign-aid-with-chinese-characteristics/>

the member of the 19th Central Committee of the CPC and State Councilor Yong Wang has stated that the specific implementation of foreign aid projects is still carried out by the relevant ministries and departments pursuant to the conventional division of work.⁹⁷

3.4.6 Evaluation: Who's in the Driver's Seat of Aid Implementation?

Despite that the aid delivery pattern of Enterprise Contract Responsibility System since 1993 has remained the same, the Ministry of Commerce's leading role in Chinese aid implementation has seemed to be challenged by the Ministry of Foreign Affairs, the top-level coordinating committee or even the newly founded CIDCA. However, the author argues that the Ministry of Commerce is still the leading Ministry of China's foreign aid implementation.

First, in line with the first ministry-level regulation of China's aid administration, the Ministry of Commerce is still in charge of China's foreign aid from planning to negotiating, signing agreements to completing tasks and inspection. Second, the main task of the newly founded CIDCA is not to lead the entire foreign aid deployment, because its mission is to coordinate and communicate between agencies and ministries. The political rank of CIDCA is a vice-Ministry, which is higher than the department of foreign aid assistance in MOFCOM, so that it is expected to handle the cross-agency coordination in a more smooth way.⁹⁸ Besides, Wang Xiaotao, the director of CIDCA used to be the deputy chairman of the NDRC (December, 2014-April, 2018), which was formerly known as the State Planning Commission.⁹⁹ Since the NDRC is in charge of the macro-scope of economic development planning and strategy, the CIDCA is

⁹⁷ 王勇，〈關於國務院機構改革方案的說明〉。

⁹⁸ Marina Rudyak, "Will China's new aid agency be effective?" *The Interpreter*, April 20, 2018, <https://www.lowyinstitute.org/the-interpreter/will-china-new-aid-agency-be-effective>

⁹⁹ *Ibid.*

expected to focus more on the economic interests, instead of political interests. Thirdly, in line with the China's normative guidance of Chinese aid discussed in Chapter Two, economic profitability is still the priority of China's foreign aid task. Hence, the Ministry of Commerce is expected to take up more roles than the Ministry of Foreign Affairs and the Ministry of Finance.

3.5 Summary

Chapter Three investigates the institutional mechanism of China's foreign aid from 1950 to 2018. The results suggest that China's foreign aid behaviors are shaped and restrained by the material structure of domestic aid institution, including the tendency of leading agency of administration and aid delivery mechanism. Table 3-1 displays four major findings as follows.



Table 3- 1: Overviewing China’s Institutional Mechanism of Foreign Aid

	1950-1977	1978-2000	2000-2018
Overarching Decision Maker	State Council	State Council	State Council
Institution of China’s Foreign Aid	<ol style="list-style-type: none"> 1. State planning committee 2. Ministry of foreign trade 3. General bureau for economic relations with foreign countries 4. Commission for foreign economic relations 5. Ministry of Foreign Economic Relations 	<ol style="list-style-type: none"> 1. Ministry of Foreign Economic Cooperation and Trade 2. Ministry of Foreign Trade and Economic Cooperation 	<ol style="list-style-type: none"> 1. Ministry of Commerce 2. Chinese Follow-up Action Committee of FOCAC 3. Ministerial liaison mechanism of foreign aid 4. Ministerial coordination framework 5. China international development cooperation agency
Aid Delivery Mechanism	<ol style="list-style-type: none"> 1. General delivery system 2. Coordinated delivery system 3. Responsibility system of the undertaking sector 	<ol style="list-style-type: none"> 1. Investment lump sum contracting system 2. Contractor accountability system 3. Enterprise Contract Responsibility System 	<ol style="list-style-type: none"> 1. Enterprise Contract Responsibility System
Style of Commission	<ol style="list-style-type: none"> 1. Top-down political command 	<ol style="list-style-type: none"> 1. Contracting relationship via negotiation 2. Bidding mechanism 	<ol style="list-style-type: none"> 1. Contracting relationship via negotiation 2. Bidding mechanism
Implementing Agency	Provincial government and affiliated agencies	<ol style="list-style-type: none"> 1. Provincial government 2. Legal person enterprises 	<ol style="list-style-type: none"> 1. Legal person enterprises
Who’s in the driver’s seat?	<ol style="list-style-type: none"> 1. State Planning Commission 2. Ministry of Foreign Economic Relations 	<ol style="list-style-type: none"> 1. Predecessors of the Ministry of Commerce 	<ol style="list-style-type: none"> 1. Ministry of Commerce
Note	The reform of decentralization started with the Ministry of Foreign Economic Relations in 1970.	The commissioned agency began to enjoy a full responsibility of profits and losses.	It seems to have a competition among the Ministries of foreign aid projects.

Source: Composed by the Author.

3.5.1 The Ministry of Commerce and Its Predecessors Have Taken the Lead in Aid Implementation

Despite that China’s State Council has an overarching position of making the top decisions from a macro-perspective of foreign aid, the administration of the aid implementation matters for shaping China’s foreign aid activities on an everyday basis.

Hence, the Ministry of Commerce and its predecessors have assumed the duty of managing and administrating China's foreign aid tasks from program planning, to budget planning, to implementation and inspection from the year of 1970 onwards. That being said that China's foreign aid behaviors were managed by the business-first agency for more than four decades. It was never fully in charge by the Ministry of Foreign Affairs, because even during the period from 1950 to 1970, China's foreign aid institution was under control of the State Planning Committee, which was also a government agency aiming at economic development. China's foreign aid behaviors have been embedded within the context of economic development, rather than a political agenda.

3.5.2 To Delegate an Aid Project is not a Political Command, but a Contract

The style of aid project commission has shifted from a top-down political command to a contracting relationship with a bidding mechanism. It explains that China's foreign aid aims at economic benefits, rather than extended political influence. Chinese aid projects used to be an instrument served for the diplomatic interests from 1950s to the mid-1970s. For those commissioned agencies, it was more of a political command from the central government demanding them to complete the aid projects on behalf of the central government for diplomatic interests. However, since 1978, the aid project commission has changed into a contracting relationship between the central government and the commissioned agencies via a negotiation. More importantly, the commissioned agency enjoys a full responsibility of the profits and the losses of the aid projects pursuant to the project agreement. This gives more economic incentives for the commissioned agencies to undertake the aid projects abroad. Moreover, a bidding

mechanism was introduced in 1983 to ensure the process of selecting the most qualified commissioned agency is in line with the market price and competition. Under such rational and profit-seeking mechanism, it is not plausible to claim that the winner of bidding would put a political agenda as the priority of the commissioned aid projects in the recipient country.

3.5.3 Legal Person Enterprises are Rational Actors Aiming at Profits

Since the Ministry of Foreign Economic Cooperation and Trade had granted legal person enterprises to have the right to join the bidding mechanism and compete for the aid project commission in 1983, Chinese enterprises (mostly SOEs) have become significant actors of Chinese aid projects. By the year of 2000, China's enterprises, especially the SOEs have turned into the main implementing actors of Chinese aid projects abroad. Moreover, these enterprises are business first actors. After all the troubles of applying and competing for the bid and if an enterprise has won the bid, it would be irrational to put a political agenda as a priority, such as spreading China's authoritarian influence, instead of economic interests.

3.5.4 Economic Development still Prevails

With the widely broaden scope of Chinese aid projects, multiple Ministries, departments and government agencies are involved in the complex institution of Chinese aid. It makes difficult for a single Ministry to coordinate the entire aid program. Moreover, since different Ministries have different priorities and interests, it is easy to have organizational fractions inside this aid institution and causing competition among different Ministries. Nonetheless, the author still suggests that the priority of Chinese aid projects are mainly based on economic interests, because the executing units are

profit-seeking enterprises. In other words, as long as China's aid projects are mostly carried out by Chinese enterprises, the priority of Chinese aid would always be economic development.





Chapter Four

Is China's Foreign Aid a Form of Neo-Colonialism?

Rhetoric and Reality

4.1 Introduction

Labeling China's foreign aid projects as a form of neo-colonialism has become a common practice. For instance, International Policy Digest published an article in 2018 and it asserted that behind the good will of China's foreign aid is the Neo-Colonialism in Africa.¹ Predictably, this article attacks on China's human rights violations, claims that China is giving huge aids to African countries, uses the insurmountable debt as a leverage for the Chinese strategy and suggests that China is on the way to surpass the U.S.² Suspicion of China's neo-colonial agenda has never been ceased. During a trip in Nigeria in 2006, Foreign Secretary of U.K. Jack Straw said that China is doing the same thing as what the British did 150 years ago.³ This comment has sparked a discussion on China's "new colonialism" in Africa. In 2008, *The Economist* used a title of "The new colonialists" to describe China's desire on resource grabbing in Africa.⁴ The U.S. Secretary of State Hillary Clinton also warned the African people that they have to be aware of the new colonialism when she visited Zambia in 2011.⁵ In the U.S. Congress hearing held in 2018, Gordon Chang, the author of "Coming Collapse of

¹ Erick Agbleke, "Behind the Goodwill Aid: China's Neo-Colonialism in Africa," *International Policy Digest*, May 8, 2018, <https://intpolicydigest.org/2018/05/08/behind-the-goodwill-aid-china-s-neo-colonialism-in-africa/>

² *Ibid.*

³ Tom Stevenson, "Chinese moves spawn a new order" *The Telegraph* Aug 23, 2006. <https://www.telegraph.co.uk/finance/2945957/Chinese-moves-spawn-a-new-order.htm>

⁴ "The new colonialists," *The Economist*, Last modified May 13, 2008. <https://www.economist.com/node/10853534>.

⁵ Reuters Staff, "Clinton warns against 'new colonialism' in Africa," *Reuters* June, 11, 2011. <https://www.reuters.com/article/us-clinton-africa/clinton-warns-against-new-colonialism-in-africa-idUSTRE75A0RI20110611>.

China” concludes that China is practicing a new form of colonialism and China’s relations with Africa threaten Americans’ interests.⁶ Chang asserts that China wants to be the commanding voice of the developing world and the Chinese concept of “tian-xia” (all under heaven) is a reflection of the desire of Chinese domination.

Furthermore, the criticism of China’s neo-colonial attempt is not limited to Western media. Lamido Sanusi, the President of the First Bank of Nigeria considers the Chinese behaviors are in essence of colonialism.⁷ Sanusi notes that China has taken away the primary goods of Africa and sold cheap commodities to Africa. There are no benefits for the African people. Likewise, Taboo Mbeki, the President of South Africa considers that there is a risk of heading toward a colonial relationship with China.⁸ The export and import of raw materials and Chinese commodities reflect a replication of Africa’s historical relationship with the colonial powers. Africa might become more and more dependent upon China.

However, is it a reality or rhetoric that China’s foreign aid to SSA is a form of Neo-Colonialism? Is it a reality that the African government are forced to accept the deal with China and has not had any of its African country ownership to act on behalf of African people? Adams Bodomo, a Professor from University of Vienna observes that views concerning China’s aid to Africa vary widely and it is still yet to be verified that China is a neo-colonial power, which fits all the standard definition.⁹ Bodomo considers that the attempt to only highlight China’s deeds in Africa and makes claims on neo-colonial behaviors is a tendency to downplay the real nature of colonialism,

⁶ U.S. Congress, Senate, Committee on Foreign Affairs, “China in Africa: The New Colonialism?”

⁷ Lamido Sanusi, “Africa Must Get Real about Chinese Ties,” *The Financial Times*, March 12th, 2013 <https://www.ft.com/content/562692b0-898c-11e2-ad3f-00144feabdc0>

⁸ BBC, “Mbeki Warns on China-Africa Ties,” *BBC*, December 14, 2006, <http://news.bbc.co.uk/2/hi/business/6178897.stm>

⁹ Adams Bodomo, “Is China colonizing Africa?” in eds. Simone Raudino, Arlo Poletti, *Global Economic Governance and Human Development* (Abingdon: Routledge, 2018), pp. 120-132.

which involves forcible occupation of land and political and military subjugation.¹⁰ At this point, Bodo states that China has never engaged in unilateral military activities in Africa and never set up civilian administrations dependent from the government in Beijing and this is in contrast to the European powers.¹¹

Despite the controversial claims of China's neo-colonial behaviors, limited research has comprehended the operative workflow of China's foreign aid and whether the African government have been forced to make a deal with China. In order to find out whether China's foreign aid is neo-colonial reality in SSA, the author proposes to firstly deconstruct the workflow of Chinese aid projects and investigate whether China is exploiting the entire foreign aid deal. Second, the author would examine whether China's foreign aid implementation is neo-colonial or complementary for mutual development. Third, we would explore the multilateral aspects of China's foreign aid projects in the SSA, to find out whether China is willing to work with a third party such as an international organization or another country in the aid project development. If China is practicing neo-colonial agenda in foreign aid activities, it would not be feasible for an international organization to closely work with China in foreign aid. To sum up, the goal is to ascertain whether China's asserted neo-colonial behaviors of foreign aid in the SSA is a rhetoric or reality.

4.2 Defining Neo-Colonialism

Historically speaking, neo-colonialism is describing a situation by which that Western countries continuously extend political influence to their former colonies in

¹⁰ *Ibid.*

¹¹ *Ibid.*

forms of economic controls and cultural dominance.¹² Jian Junbo, Professor at the Fudan University describes neo-colonialism as a new form of colonial paradigm when some Western nations became new colonizing powers through capital investments and high-tech production.¹³ Instead of occupying foreign lands, the foreign power can control weaker states' economic resources and political systems and exploits their wealth under the name of liberal capitalism.¹⁴

In addition, a more classical definition of neo-colonialism can be found in *Neo-Colonialism: The Last Stage of Imperialism* written by Kwame Nkrumah and he defines neocolonialism as in theory, a state is independent and has all the outward trappings of international sovereignty, but in reality, its economic system and thus its political policy is directed from outside.¹⁵ For the methods of neo-colonialism, Nkrumah maps out several ways.¹⁶ First, the most extreme case is that the troops of the neo-colonial power may garrison the territory of the colonized and control the government. Second, the neo-colonial would use economic or monetary means to control the colonized states. Third, neo-colonial power can dictate the policies of the colonized state. More importantly, states that under the maneuver of neo-colonists power, foreign capitals are only used for exploitation rather than development and the investment is aiming at increasing rather than decreasing the gap between the rich and the poor.¹⁷ Finally, Nkrumah stated that the essence of neo-colonial agenda is the question of the power,

¹² Osman Antwi-Boateng, "New World Order Neo-Colonialism: A Contextual Comparison of Contemporary China and European," *Africology: The Journal of Pan African Studies*, Vol. 10, No. 2, April (2017), pp. 177-195.

¹³ Jian Junbo, "From capitalism to colonialism," *Asia Times Online*, January 4, 2007, <https://www.asiatimes.com/%20atimes/%20China/%20IA05Ad01.html>

¹⁴ *Ibid.*

¹⁵ Kwame Nkrumah, *Neo-Colonialism: The Last Stage of Imperialism* (New York: International Publishers, 1966), p. xi

¹⁶ *Ibid.* p. x

¹⁷ *Ibid.*

especially when the colonized country is not a master of its own destiny.¹⁸

There are four crucial indicators of a neo-colonial situation. First, a strong country is using economic means to extend political influence in a weak country. Second, with that political influence, the strong country can control and dictate the resources and policies of that weak country. Third, the economic means of the strong country are aiming at exploitation rather than development. Lastly, the result is that the weak country cannot be the Master of its own destiny.

Does China's foreign aid behavior in the SSA represent all these indicators? In order to clarify the disputed claims, we would firstly deconstruct the workflow of Chinese aid project and examine whether China is exploiting the entire process of aid cooperation projects. In addition, we would examine whether China's aid projects are nothing but exploitation. Third, is there a third party involved in China's foreign aid to SSA? If there is, it is not plausible to assert that China is practicing neo-colonialism, because China does not possess the overall domination.

4.3 The Workflow of Chinese Aid Project

Despite many criticisms claiming that China is practicing Neo-colonialism via foreign aid projects, few have investigated the workflow of Chinese aid and to ascertain whether China has been forcing the African counterpart to join the aid cooperation, which is against the African state's will. Since most of the critics are focusing on China's motive of aid and the impact of Chinese aid, the interactive and bilateral correlation of aid negotiation has been overlooked as if Chinese aid is against the will of the recipient country. Before exploring the workflow of Chinese aid, we have to first

¹⁸ *Ibid.*

comprehend the content of China's concessional loan and to investigate the procedure of providing China's concessional loan, which has been an indispensable instrument to boost China's overseas aid projects.

4.3.1 Contemporary Workflow of Chinese Aid is embedded in Concessional Loan Policy

Pursuant to the previous discussion in Chapter Two, the expanded momentum of China's aid activities started in 1995 when Wu Yi decided to enforce a concessional loan policy as a measure to securitize and back Chinese enterprises' investment in the developing countries and mingle the foreign aid projects with trade and investment. Hence, to understand the workflow of Chinese aid, we have to firstly deconstruct the Chinese loan.

Wu Yi's Grand Strategy of Economy and Trade

The provision of China's concessional loan and preferential export buyer's credit is the backbone of Wu Yi's Grand Strategy of Economy and Trade, because it has expanded the momentum, scale and variety of foreign aid projects and promoted business opportunities and mutual economic interests since 1995.¹⁹ China's government subsidized concessional loan policy commenced full implementation after the national conference of foreign aid reform held on October 17, 1995 with a State Council document entitled "Reply of the State Council on Reform of Foreign Aid."²⁰ The Export-Import Bank of China is the competent authority to grant concessional

¹⁹ 中華人民共和國國務院新聞辦公室，〈中國的對外援助〉，《中華人民共和國國務院新聞辦公室》，2011年4月21日，

http://www.scio.gov.cn/zfbps/ndhf/2011/Document/896983/896983_1.htm。

²⁰ 齊國強，〈在新形勢下進一步改革援外工作——全國援外改革工作會議在京召開〉，《國際經濟合作》，第11期，1995年，頁4-5。

loans and preferential export buyer's credit to overseas projects.²¹

The content of Chinese concessional loan

China's concessional loan and preferential export buyer's credit are preferential funding arrangements granted and subsidized by the Chinese government to developing countries.²² The concessional loan is a medium to long term low-interest loans with a financial ratio of 100%.²³ The annual interest rate is between 2% to 3% and the loan term is between 15 to 20 years including the grace period.²⁴

More importantly, China's concessional loan delivery requires two legal documents: (1) an inter-governmental concessional loans framework agreement signed by both governments to decide the purpose, amount, maturity and interest rate; (2) a loan agreement signed by the Export-Import Bank of China and the recipient country's competent authority pursuant to the first framework.²⁵ As for the preferential buyer's credit, it is designed as an economic instrument that comes with 85% of financial ratio for political and diplomatic needs to promote economic and trade cooperation with key countries and regions via provision of export buyer credit.²⁶ In other words, preferential buyer's credit is subsidized by Chinese government with the purpose to

²¹ Wang Ping, "The Chinese View: Reflection of the Long-Term Experiences of Aid Receiving and Giving," eds. Yasutami Shimomura and Hideo Ohashi, *A Study of China's Foreign Aid: An Asian Perspective* (New York: Palgrave Macmillan, 2013), p. 133.

²² 中華人民共和國商務部，〈如何拿到口行的兩優貸款？〉，《商務部電子商務和資訊化司》，2016年10月11日，<http://caiec.mofcom.gov.cn/article/g/201610/20161001406979.shtml>。

²³ 中國進出口銀行，〈中國政府對外優惠貸款簡介〉，《國際經濟合作》，1997年第6期，頁27-28。

²⁴ *Ibid.* A report issued by Center for Global Development suggests that the Chinese concessional loans have a term between 10 to 20 years at an interest rate between 2% to 4% and a grace period of 3 to 7 year. It is similar to the description of China's Ministry of Commerce. See Paul Hubbard, "Aiding Transparency: What We Can Learn About China ExIm Bank's Concessional Loans," *Working Paper of Center for Global Development*, No. 126 (2007), p. 7.

²⁵ Vivien Foster, William Butterfield, Chuan Chen and Nataliya Pushak, *Building bridges: China's growing role as infrastructure financier for Sub-Saharan Africa*, p. 55.

²⁶ 中華人民共和國商務部，〈如何拿到口行的兩優貸款？〉。

promote China's exports.²⁷

Application for China's concessional loan

Figure 4-1 illustrates the application procedure of China's concessional loan for aid projects. In the beginning, the recipient country would have to file an application to the Export-Import Bank of China at first. After a throughout evaluation within the Export-Import Bank of China, if the request from the recipient country is accepted, the China Exim Bank would submit a report with a proposal to China's Ministry of Commerce asking for permission. If the proposal is accepted by the Ministry of Commerce and the State Council, a bilateral government to government framework agreement would be signed between the recipient country and the People's Republic of China (represented by the Ministry of Commerce) after the negotiation.²⁸ Furthermore, the recipient country also needs to sign a concessional loan framework agreement with the Export-Import Bank of China to confirm the details of the loan, repayments and demanded projects. To sum up, there are two government to government negotiations taking place during the process of applying for China's concessional loan.

²⁷ China's preferential buyer's credit does not count as Official Development Assistance (ODA) according to OECD-DAC definition of the 25% grant element carried by the ODA project, because it was issued on the basis of the prevailing market rates at the time. See Deborah Bräutigam, *China, Africa and the International Aid Architecture* (Tunis: African Development Bank, 2010), p. 19.

²⁸ Paul Hubbard, "Aiding Transparency: What We Can Learn About China ExIm Bank's Concessional Loans," p. 5.

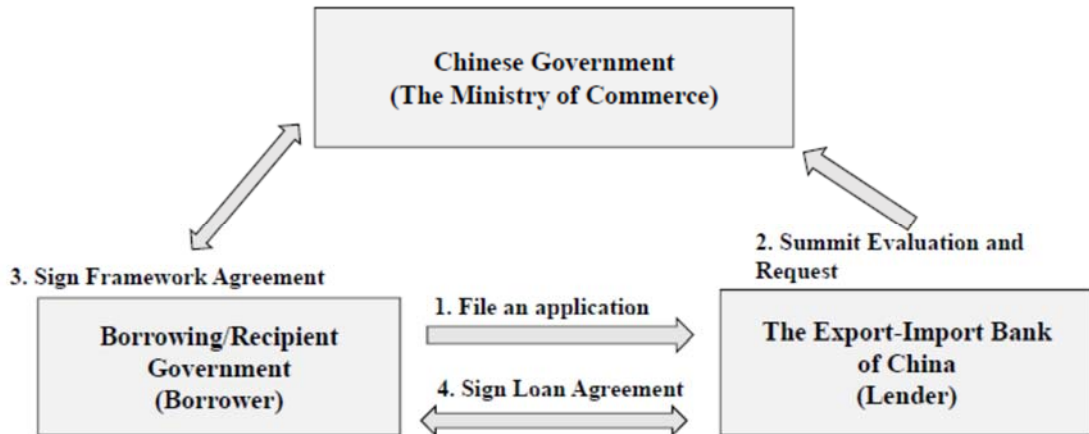


Figure 4- 1: Applying for a Chinese Concessional Loan

Source: Composed by the Author

The disbursement of Chinese loan

The disbursement phase happens when the designated Chinese executing agency (usually a state-owned enterprise), which is also approved by the recipient country²⁹ completed the projects pursuant to the bilateral framework and loan agreement. The Chinese executing agency would request review and payment from the recipient country via the channel of the designated agency from the recipient country. After the inspection from the agency of the recipient country, the request of payment would be forwarded to the recipient government with a report of evaluation. The recipient country would file an application to the Export-Import Bank of China and then the repayment would be transferred into an account for the project-delivery agency. In addition, the recipient country would begin to make repayment to the Export-Import Bank of China in compliance with the loan agreement agreed by both sides. Interestingly, the money never goes into the recipient country, because it is simply transferred from one account in the Export-Import Bank of China to another account of the commissioned agency,

²⁹ The criteria and qualification of the executing agency or enterprise are stipulated in the bilateral agreement between China and the recipient country. So that in the bidding mechanism, the Ministry of Commerce would use the criteria that is in compliance with the bilateral agreement to make conditions. As a result, the winner of the bidding is also approved by the recipient country.

which is often also in the China Exim Bank. Since the money never landed in the recipient country, it is difficult for the corruption to take place with this money of aid project.

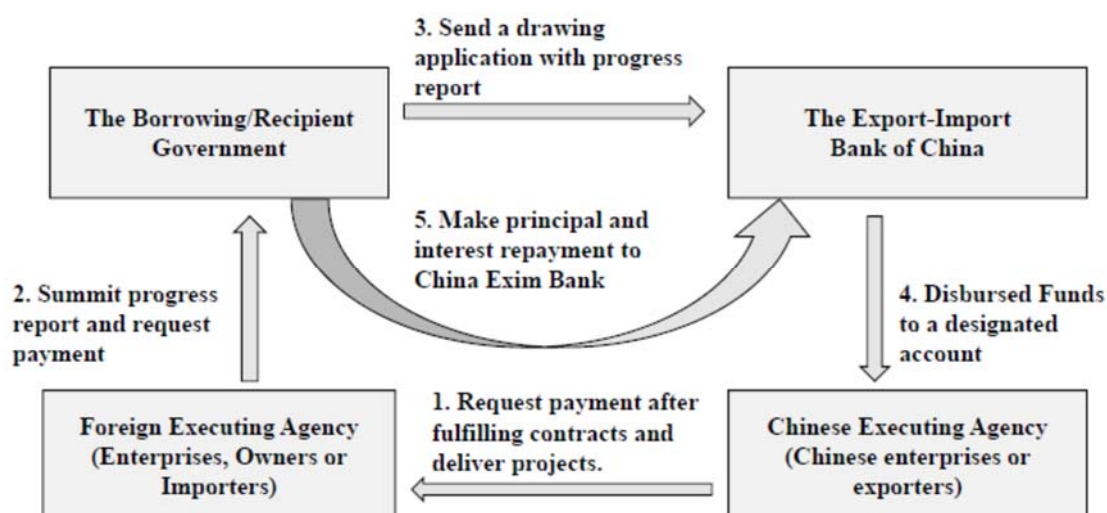


Figure 4- 2: The Disbursement of China's Concessional Loan

Source: Author adapted from Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa*. (Oxford: Oxford University Press, 2011), p.143.

The procedure of Payment-in-Kind (PIK)

Given the fact that many African countries are incapable of providing adequate financial guarantees to back and secure their loan commitments, the Export-Import Bank of China has adapted a method similar to the compensation trade and barter trade between China and Western countries during the 1980s. It means that despite the lack of financial guarantees, the recipient countries can make use of its natural resources as repayments for the concessional loan in exchange for the infrastructure projects, equipment and technology. In the 2000 "Programme for China-Africa Cooperation in Economic and Social Development," which was the first FOCAC action plan, the Programme stated that China's enterprises shall accept various forms of payment of "payment in kind" in order to ease the financial burden of African countries and help

to increase their exports to China.³⁰ Payment-in-Kind (PIK) is referring the use of a good or service as payment instead of cash.³¹ In the context of Sino-Africa relations, it means that African countries can use goods or services as repayments to China's loans and in exchange for contracted infrastructure and projects. Accepting PIK as repayments also indicates that Chinese enterprises are concerning about the debt stress and default among African recipients. Hence, the recipients can make repayments by providing commodity, products or services worth the same value. Allowing the recipients to become more indebted to Chinese enterprises would not serve the interests of the Chinese.

Scholars also call this PIK loans in the names of resource-backed loans, commodity-backed loans or resource for infrastructure investment.³² The most famous label for this kind of resource-backed loan is the Angola Model.³³ Moreover, to use resource or commodity to secure finance in Africa is not a Chinese invention, because not only China had been exporting oil for infrastructure before, but this formula was practiced by private banking institutions from Britain, France, Netherland, etc. to mitigate the risk of lending to resource-rich African governments.³⁴

The initial phase of PIK loans (or resource-backed loan) application is the same as the application for a Chinese concessional loan (see Figure 4-3). The recipient country

³⁰ Ministry of Foreign Affairs, the People's Republic of China, "Programme for China-Africa Cooperation in Economic and Social Development."

³¹ Anna Nordén, "Payment Types and Participation in Payment for Ecosystem Services Programs," *Discussion Paper Series No. 14-11, Environment for Development Centers*, 2014, <https://pdfs.semanticscholar.org/b1df/3508064774bff8c00a999c7870e1fa47cdd1.pdf>

³² Deborah Brautigam and Kevin P. Gallagher, "Bartering Globalization: China's Commodity backed Finance in Africa and Latin America," *Global Policy*, Vol. 5 No. 3 (2014), pp. 346-351; Ana Chiristina Alves, "China's 'Win-Win' Cooperation: Unpacking the Impact of Infrastructure-for-Resources Deals in Africa," *South African Journal of International Affairs*, Vol. 20 No. (2013), pp. 2017-226.

³³ Vivien Foster, William Butterfield, Chuan Chen and Nataliya Pushak, *Building bridges: China's growing role as infrastructure financier for Sub-Saharan Africa*, p. 56.

³⁴ Ana Chiristina Alves, "China's 'Win-Win' Cooperation: Unpacking the Impact of Infrastructure-for-Resources Deals in Africa," p. 213.

needs to take initiative and file an application first. After approval by the Export-Import Bank of China and Chinese Ministry of Commerce, a bilateral framework agreement is required to be signed by Chinese government and recipient country, as well as a concessional loan framework agreement should also be signed by the foreign government and the Export-Import Bank of China. Once the bilateral agreement is reached, the Ministry of Commerce would initiates a bidding pursuant to the criteria stipulated in the bilateral agreement for selecting the most suitable commissioned enterprise to carry out the aid project. The winning Chinese contractor of bidding has to take up the construction projects in compliance with the contract agreed by the contractor and the Ministry of Commerce and the bilateral agreement between China and the recipient country. The Export-Import Bank of China will finance the Chinese contractor directly when the project is completed and passed the inspection from the both sides. The money is never transferred to the recipient government. Meanwhile, the recipient government would give license and permission to another Chinese enterprise to extract natural resources as the goods for payment-in-kind. The resource extraction is in a form of joint venture between a Chinese enterprise and an enterprise from the recipient country.³⁵ Chinese enterprises cannot extract the natural resources without the approved license and supervision from the recipient country. The repayment could be made by the extraction of natural resources or the exports of natural resources or other commodities from the local enterprises to the Chinese enterprises subject to China's Ministry of Commerce and Export-Import Bank of China.³⁶

³⁵ Ana Cristina Alves, *China's Oil Diplomacy: Comparing Chinese Economic Statecraft in Angola and Brazil* (PhD Thesis of London School of Economics, 2011), p. 53.

http://etheses.lse.ac.uk/206/1/Alves_China%E2%80%99s_Oil_Diplomacy.pdf

³⁶ *Ibid.*

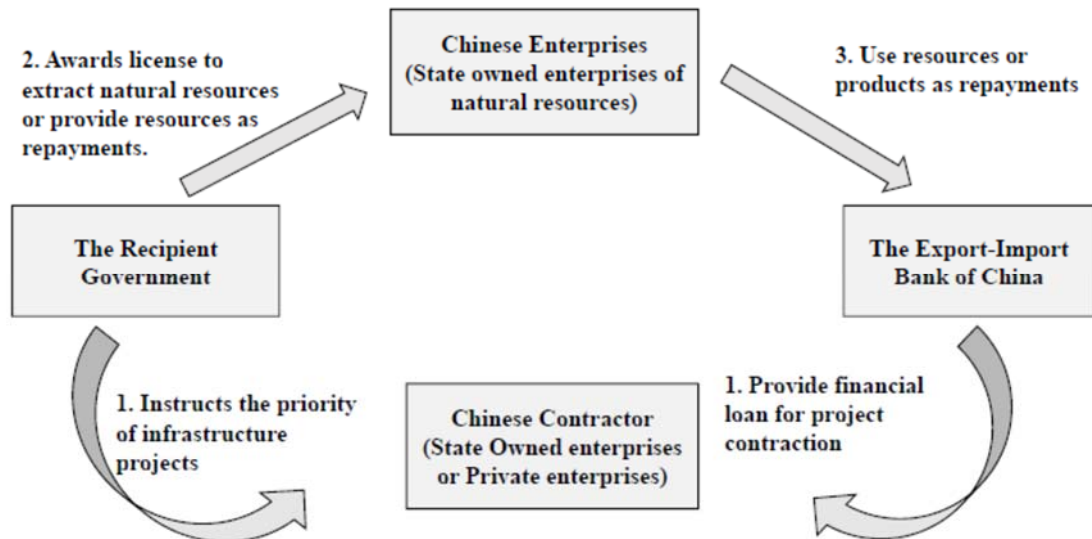


Figure 4- 3: Disbursement and Repayment of PIK Loans

Source: Author adapted from Vivien Foster, William Butterfield, Chuan Chen and Nataliya Pushak, *Building bridges: China's growing role as infrastructure financier for Sub-Saharan Africa* (Washington: The World Bank, 2009), p. 56

4.3.2 The Workflow of Chinese Aid

China's foreign aid had been an instrument of foreign policy goals 1950 to 1977. With the reform to separate the government from the commissioned enterprise, it was not until the year of 1978 that the aid projects has become commercially orientated. The reform of China's aid institution had gone through a series of modification about the patterns of implementation in the 1980s. With the launch of Enterprise Contract Responsibility System in 1993, whereby the commissioned enterprises can enjoy a full responsibility of profits and losses, China's foreign aid workflow was finally developed into a more mature and sustainable condition.

Generally speaking, there are eleven phases of workflow of Chinese aid from the initial application to the disbursement and repayment (see Figure 4-4):

- (1) The recipient country applies for a foreign aid cooperation via China's diplomatic counsellor's office.
- (2) After receiving the application, China's counsellor's office would have a basic

evaluation and file a report and pass the application of the requesting country to the Ministry of Commerce (or its predecessors).

- (3) The Ministry of Commerce (or its predecessors) would dispatch a team of experts to the requesting country for a field research and feasibility study with the assistance of China's diplomatic counsellor's office.
- (4) After the field research, if the Ministry of Commerce accept the application, it will coordinate and discuss with the Ministry of Finance, the Export-Import Bank of China and the Ministry of Foreign Affairs.
- (5) After the inter-ministerial consultation, the Ministry of Commerce will report to the State Council with analysis and recommendation.
- (6) If the foreign aid project is approved, the State Council will direct the Ministry Commerce to commence a formal negotiation with the requesting country and sign an inter-governmental agreement, clarifying the project details. This is the first government to government negotiation of the aid project.
- (7) If the bilateral agreement is completed and has been signed by both governments, the requesting country needs to sign a concessional loan agreement with the Export-Import Bank of China, clarifying the details of the loans, repayments, undertaking enterprise, the project and implementation. This is the second government to government negotiation of aid project.
- (8) When the concessional loan agreement is signed, the Ministry of Commerce will launch a bidding for the foreign aid project with a supervision on the fairness, competition and market rules.
- (9) The legal person enterprise that won the bidding has to sign a contract with the Ministry of Commerce and undertake the foreign aid project in line with the contract. Meanwhile, this undertaking enterprise takes a full responsibility of the profits and losses of the entire implementation.

- (10) After the completion of the project, the recipient country will make inspection and file a report and a request to the Ministry of Commerce asking for disbursement. The Export-Import Bank of China will transfer the money into the bank account of the undertaking enterprise. Technically speaking, the money never leave the Export-Import Bank.
- (11) The recipient country will begin to make repayments to the Export-Import Bank of China in line with the signed agreement. If this is the case of resource-backed infrastructure,³⁷ when the contracting enterprise is conducting the construction, the recipient country will give license and permission to another Chinese legal person enterprise to extract natural resources in a joint venture with an enterprise from the recipient country in proportion as the repayments to the Export-Import Bank of China.



³⁷ In consideration of China's resource-back loan or resource-backed line of credit, many critics have miscalculated the size of the volume and mistakenly concluded that most of the Chinese-funded projects were aiming at resource extraction. However, the deals of resource-backed loans only existed in seven African countries, including Republic of the Congo, Nigeria, Angola, Equatorial Guinea, Ghana, Democratic Republic of the Congo, and Susan. In light of all the China-financed projects, for instance the Export-Import Bank has financed more than 300 projects in Africa since 1996, the Ministry of Commerce has financed more than 900 foreign aid projects in Africa, the resource-backed loan projects are only a minority compared to all the financed projects in Africa. Please See Deborah Bräutigam, *China, Africa and the International Aid Architecture* (Tunis: African Development Bank, 2010), p. 21.

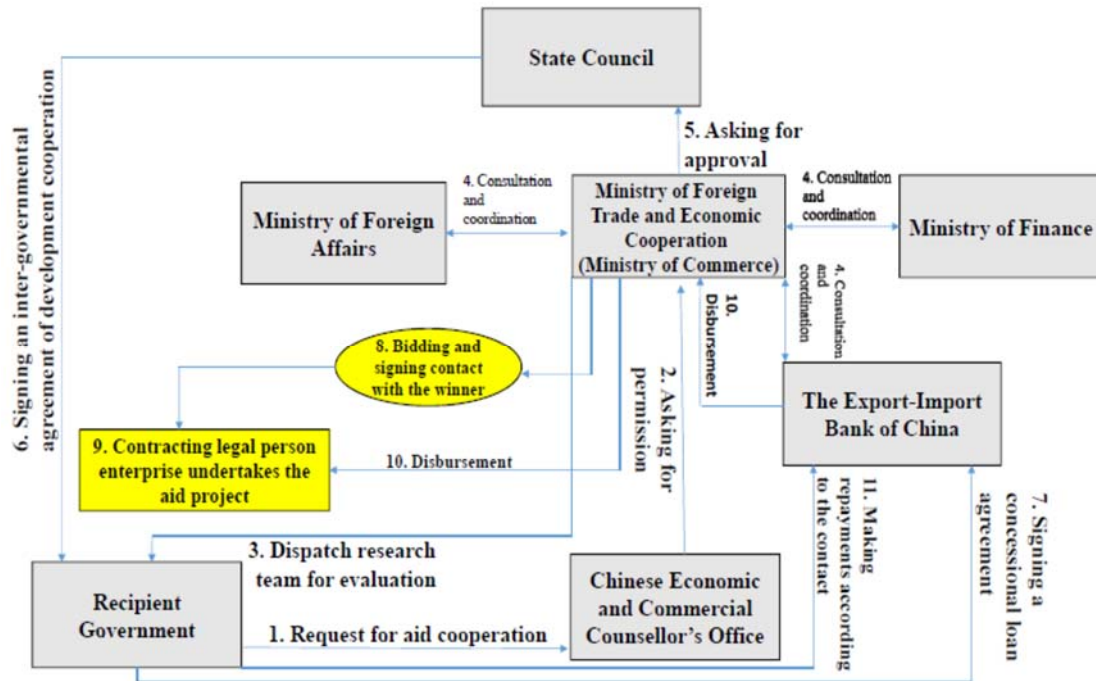


Figure 4- 4: The Workflow of China's Foreign Aid Project
 Source: Composed by the Author

4.3.3 Evaluation: Unveiling the Country Ownership

Throughout the workflow of Chinese aid, we can find that to establish an aid project is a bilateral co-operative procedure involved the Chinese government and recipient government. China is not exploiting the workflow of aid projects implemented in the recipient country or forcing the recipient country to accept the aid. African countries' ownerships do play a role in Sino-Africa aid project cooperation.

Government to government agreement based on request

First, despite the sectors of aid projects might include infrastructure, energy, commerce, education, etc., it is always based on a government to government agreement, which derives from the request of the recipient country. It means that if the recipient country choose not to file an application seeking the possibility of cooperation, the procedure of feasibility study would not be initiated. Hence, China's aid project is

based on the demand from the recipient country. In this sense, it requires more concrete evidences to prove that China is exploiting the Sino-Africa relationship as a neo-colonial, because the African counterpart does not have to file an application if it does not want to. More importantly, China's aid projects are not unilateral gift from a wealthy country to a poor country. Instead, China insisted that both sides should be benefited from each other's development. As a result, China's aid projects involved a government to government negotiation before signing the bilateral agreement. This also indicates that Chinese aid is not a neo-colonial agenda, which oppresses the African government to turn against its own will.

Two times of aid negotiations

Beijing has a rather passive role in deals of initiating a concessional loan agreement, because similar to the aid projects, China's concessional loan is also based on request from the recipient country. In addition, African recipients of loans have to negotiate twice about the terms and conditions of loan China. It is stated that the negotiation of concessional loan is only triggered via the demand of recipient country. The recipient country has to file an application first to the Export-Import Bank of China. After an evaluation, if it is approved, a bilateral agreement has to be signed between Beijing and the recipient government. In addition, a concessional loan framework agreement is required to be signed between the recipient country and the Export-Import Bank of China. Clearly, it takes two times of negotiation to complete the concessional loan cooperation. The first negotiation is between the Chinese government and the recipient's government. It implies that in most of the concessional loan based deals including infrastructure, agricultural or trade-related projects, it is actually a government to government cooperation. It is different from the common Western model

of private to private or private to government negotiation. Furthermore, the second negotiation of loan is between the recipient's government and Export-Import Bank of China. It indicates the Chinese loan deals are results of bilateral negotiation between two governments. China is not forcing the African government to accept the Chinese loans and the African government can turn down the deal if it does not fit to its best interests. The procedure of negotiating a Chinese loan deal proves the existence of African country ownership in acting on behalf of its best interests. Instead of rhetorically criticizing China's behaviors as a neo-colonial, we should discuss more on how to strengthen the bargaining power and negotiating strategies among the African governments.

The license of extracting nature resource

In the case of PIK loans or resource-backed loans, Chinese enterprises need to have an official license granted by the recipient government, so that a certain amount of resource, which is in proportion to the repayment of the concessional loan can be extracted by the Chinese enterprise. Furthermore, in most of the cases, the recipient countries would request the Chinese enterprise to take up a form of joint venture with another enterprise from the aid recipient country to extract the natural resources as repayments of the loan. Thus, not only the local enterprise can monitor the behaviors of Chinese enterprise, it can learn some of the skills and knowhow during the joint extraction. In other words, if China is a neo-colonial power, it does not need license granted by the recipient government for the resource extraction.

Lack of bargaining power?

China is not taking all the advantages in the Sino-Africa relations, because African

governments do have their bargaining power. Although it is a fact that African leaders should improve their bargaining skills and make a better deal with China, it is also problematic to view African leaders and decision-makers as if they were so naïve and had not learned any lesson from the past so that China can exploit African people as a neo-colonial power. African countries do have a good bargaining position.

First, a rising commodity prices make Africa's major exporters of energy and mineral commodities in a benefited bargaining position if the aid providing country yearn for the access to the resources.³⁸ Angola and the Democratic Republic of the Congo (DRC) are two examples of resourceful countries that are not weak and submissive to China. Lucy Corkin argues that by joined the Organization of Petroleum Exporting Countries (OPEC) and deepened the ties with Brazil, Angola has a relatively strong bargaining position than China in the Angola-China cooperation.³⁹ Lucy Corkin also finds that Angola maintains strong ties with competitive Brazilian, Portuguese and South Korean contractors, so that when it comes to using resources to exchange for Chinese infrastructure, Angola has alternatives to counterbalance China's infrastructure aid.⁴⁰ Second, Brenda Vickers also argues that a collective and united Africa as a whole with joint strategies and common positions under the AU would create a strong bargaining power to the aid providing country.⁴¹ Third, with the enforced African Continental Free Trade Area (AfCFTA) on July 7, 2019,⁴² African countries are expected to have more market advantages in bargaining power, because it is full of

³⁸ Brenda Vickers, "Africa and the Rising Powers: Bargaining for the Marginalized Many," *International Affairs*, Vol. 89 No. 3 (2013), pp. 673-693.

³⁹ Lucy Corkin, *Uncovering African agency: Angola's management of China's credit lines* (London: Routledge, 2016)

⁴⁰ *Ibid.*

⁴¹ Brenda Vickers, "Africa and the Rising Powers: Bargaining for the Marginalized Many."

⁴² African Union, "Operational Phase of the African Continental Free Trade Area is Launched at Niger Summit of the African Union," *African Union*, July 07, 2019, <https://au.int/en/pressreleases/20190707/operational-phase-african-continental-free-trade-area-launched-niger-summit>

economic opportunities.

An example of the bilateral investment treaties negotiation

Since China's foreign aid is a trinity of aid, trade and investment, to establish a soundly based bilateral investment treaty (BIT) is crucial for the Chinese enterprises. However, the negotiating process of BIT has not been easy for China, because some African countries have been taking years to negotiate this issue and still not yet ratified the treaty. This indicates the fact China is not a neo-colonialist, because it does not dominate the Sino-Africa relationship. Moreover, African countries do have their own agencies to act on behalf for its own interests and profits.

As early as in the first FOCAC meeting, the Chinese government had expressed concerns on the dragging progress made in the BITs negotiation. This issue was written in the Programme for China-Africa Cooperation in Economic and Social Development in 2000.⁴³ However, the BIT negotiation was not going well as Beijing had expected despite the deepened relations between China and African countries. In the FOCAC Beijing Summit of 2006, the Chinese urged again to facilitate the negotiation and implementation of the Sino-Africa BITs.⁴⁴

Table 4-1 displays that there are a total of 21 Sino-Africa BITs that have been signed, ratified and enforced from 1990 to 2014. However, there are also 13 BITs that had been signed by both China and African governments, but yet to be ratified by the African governments. More importantly, a few of them have been taking decades of negotiation. For instance, Zambia has signed BIT with China as early as in 1959; however, it has

⁴³ Ministry of Foreign Affairs, the People's Republic of China, "Programme for China-Africa Cooperation in Economic and Social Development."

⁴⁴ Ministry of Foreign Affairs, the People's Republic of China, "Forum on China-Africa Cooperation Beijing Action Plan (2007-2009)," *Ministry of Foreign Affairs*, November 16, 2006, <https://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t280369.htm>

only ratified partially two treaties of the entire BITs.⁴⁵ Kenya had signed a BIT with China in 2001, but it has not ratified the agreements. This indicates the autonomy of African countries when negotiating with Beijing. China is not in the driver's seat of Sino-African relations and African governments do have bargaining power when negotiating with China on the foreign aid cooperation.

To sum up, African governments have their bargaining power when negotiating with China on the aid projects. China is not exploiting the Sino-African relations as a neo-colonialist. For a long time that commentators tend to see African governments as weak, naïve and passive in the Sino-African relations, so that China can take all the advantages at the expense of Africans. However, it is a rhetorical myth to claim that China dominates the African countries as a neo-colonial power, because African governments do have their own agencies to negotiate with China and take advantages from the Sino-African relationships.

Table 4- 1: African Countries' BITs with China, 1990-2014

Year of Enforcement	Enforced BITs with China: A total of 21 enforced BITs	Year of Signing	Signed, but Not Yet Enforced: A total of 13 unratified BITs
1991	Ghana	1996	Zambia
1996	Egypt	2000	Botswana
1997	Mauritius, Cameroon, DR Congo, South Africa	2001	Sierra Leone, Kenya
1998	Zimbabwe, Sudan	2002	Cote d'Ivoire
1999	Morocco	2003	Djibouti
2000	Ethiopia, Republic of Congo	2004	Benin, Uganda
2001	Nigeria, Cape Verde,	2005	Namibia, Guinea
2002	Mozambique,	2007	Seychelles
2003	Algeria,	2010	Chad, Libya
2006	Tunisia, Equatorial Guinea,		
2007	Madagascar		
2009	Gabon, Mali		
2014	Tanzania		

Sources: Author adapted from Won Kidane, "China's Bilateral Investment Treaties with African States in Comparative Context," *Cornell International Law Journal*, Vol. 49 No. 1 (2015), pp. 177; The U.N. Economic Commission for Africa, *Investment Policies and Bilateral Investment Treaties in*

⁴⁵ Joseph Simumba, "Zambia's Bilateral Investment Treaties Review and Evaluation," *ZIPAR Working Paper* No. 26, 2017, <http://www.zipar.org.zm/research/our-publications/working-papers/57-bilateral-investment-treaties-review-and-evaluation/file>

4.4 Exploitation or Complementation?

According to Kwame Nkrumah, one of the indicators of neo-colonialism is that the neo-colonial power would use economic means to exploit the natural resources from a weak country and the provided capitals are aiming at exploitation rather than development.⁴⁶ However, is this the case of China's foreign aid projects in SSA? The Chinese consider the Sino-Africa relationship is full of opportunities for a complementary exchange between China and SSA. On the one hand, China needs oil, minerals and natural resources to fuel its economic growth and infrastructure construction industries. On the other hand, most of African countries have rich deposits of natural resources, but poor infrastructure, which remains one of the most important bottlenecks hindering the development and reducing the competitiveness. It would be an opportunity for African countries to use their natural resources in exchange for Chinese financed infrastructure development in terms of bilateral cooperation. Moreover, China is not in SSA for oil and minerals only, because there are other commodities that could also be used as payment in kind for the commodity-backed investment. Overall speaking, China's foreign aid projects are attempting to build up a mutual economic development for both sides. This could be seen from the Sino-Africa trade statistics.

4.4.1 The Complementarities

There are complementarities between China's aid projects and Africa's needs (recipient's need) for public infrastructure. Each side can make the best use of what

⁴⁶ Kwame Nkrumah, *Neo-Colonialism: The Last Stage of Imperialism*.

they have the most and obtain benefits from each other's development.

Africa's Infrastructure Deficit

African countries are suffering from a significant infrastructure deficit with large investment needs and a steep funding gap.⁴⁷ The insufficient stock of productive infrastructure in power, water, and transport services are hindering Africa's productivity and output and worsen the GDP formation. African Development Bank estimates that African Continent's infrastructure needs US\$ 130-US\$179 billion a year to development infrastructure with a financing gap in a range from US\$ 68 billion to US\$ 108 billion.⁴⁸

African region has the lowest level of access to infrastructure compared with other regions in the world (see Table 4-1). Regarding the paved road density, there are only 2 kilometers of paved road in 100,000,000 square meters. The railway lines are the shortest compare to Asia, Europe and Latin America. Africa's electricity production is seriously insufficient and only 45% of the African population can access electricity whereas 88% of the Asian population and up to 97% of the Latin American population can access electricity. Moreover, only 69% of the African population can access improved water resource, whereas 90% of the Asian population and 94% of the Latin American population can access improved water resource. To sum up, African countries need infrastructure development.

⁴⁷ Vivien Foster, William Butterfield, Chuan Chen and Nataliya Pushak, *Building bridges: China's growing role as infrastructure financier for Sub-Saharan Africa*, p. xv

⁴⁸ African Development Bank, "African Economic Outlook 2018," *African Development Bank* January 16, 2018, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_-_EN_Chapter3.pdf

Table 4- 2: Infrastructure Access Statistics for Selected Global Regions

Indicator	Africa	Asia	Europe	Latin America
Transport				
Paved road density (km of paved road per 100 km ² of land area)	2	25	122	3
Railway lines (km)	46380	197610	85986	89002
Information and communication technology				
Fixed broadband subscriptions per 100 population	1	6	15	9
Mobile cellular subscriptions per 100 population	73	85	119	115
Power				
Electricity production per capita (kWh)	572	1930	3355	2116
Electricity access (% of total population)	46	88	100	97
Water supply and sanitation				
Improved water (% of total population)	69	90	99	94
Improved sanitation (% of total population)	39	61	93	82

Source: African Development Bank, “African Economic Outlook 2018,” *African Development Bank* January 16, 2018,

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_-_EN_Chapter3.pdf

Chinese funded infrastructures are based on demand

China’s infrastructure projects are established via a two-times negotiation, including an agreement between the Chinese government and the recipient’s government as well an agreement between the Export-Import Bank of China and the recipient’s government. It means that every Chinese funded infrastructures have been approved by the recipient’s government and has been stipulated in the bilateral agreement.

China has a competitive infrastructure sector

China has a competitive strength in the infrastructure sector, which makes a good match to the SSA for development cooperation. Three Chinese construction enterprises have been listed in the top 10 biggest construction companies in the world in 2019.⁴⁹ These top Chinese construction enterprises are China Communications Construction

⁴⁹ Grace Ellis, “10 of the Largest Construction Companies in the World,” *PlanGrid Construction Productivity Blog* May 6, 2019, <https://blog.plangrid.com/2019/05/top-10-construction-companies-in-the-world-slideshare/>

Group Ltd., China State Construction Engineering Corp. Ltd. and Power Construction Corp. of China.⁵⁰ All three of them are State Owned Enterprises.

Examples of constructive infrastructures funded by China

We can find seven selected Chinese funded infrastructures in African countries completed in 2015-2017 (see Table 4-2). Not only these seven infrastructures are not white elephants as some commentators like to label,⁵¹ but they are critical facilities to enhance the flow of people and goods and reduce the cost of time and transportation. More importantly, China infrastructure building aid projects are in line with AU's Agenda 2063, aiming to boost infrastructure connectivity for regional integration.⁵² AU states that their plan is to have infrastructure crisscrosses Africa for the communication and transportation connectivity.⁵³ In the FOCAC Johannesburg Action Plan (2016-2018), China endorsed AU's Agenda 2063.⁵⁴ As a result, since Africans want to pursue the transcontinental connectivity via Chinese founded infrastructures while China wants to export materials, sets of equipment, capitals and labors and lower the risks of domestic overcapacity, both sides are having a complementary relationship of mutual benefits.

One interesting finding is that all these seven large infrastructures in the Table 4-2 are conducted by China's SOEs with concessional loans. It means that these are all government to government negotiation and agreements. China's foreign aid in deeply

⁵⁰ *Ibid.*

⁵¹ The Australian, "China Hits Back Against Infrastructure Project Claims," *The Australian*, January 10, 2018 <https://www.theaustralian.com.au/news/world/china-hits-back-against-infrastructure-project-claims/news-story/207c6a2d162bc00ae5a421ce4c50ef72>

⁵² African Union Commission, "Agenda 2063: The Africa We Want," *African Union Commission*, 2015, https://au.int/sites/default/files/documents/33126-doc-11_an_overview_of_agenda.pdf

⁵³ *Ibid.*

⁵⁴ Ministry of Foreign Affairs, the People's Republic of China, "The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018)," *Ministry of Foreign Affairs*, December 10, 2015, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1323159.shtml

intertwined with the concessional loan policy and the operation of state-owned enterprises, which dates back to the “Responsibility System of the Undertaking Sector” in the 1970s when the State Council decided to give more autonomy to the regional governments and their affiliated enterprises in foreign aid project implementation. State-owned enterprises were growing and accumulating their overseas experiences of infrastructure projects. As a result, they become powerful project carriers in China’s foreign aid cooperation, especially in infrastructure sector.

China is not innocent and there are questionable cases. However, if we only focus on the infrastructure sector in SSA, China’s infrastructure development in African countries is not only helpful to the local residents, but it also paves the way for future development and provides more suitable environment for other investors to come in and make investments. After all, giving grants and charities is not the only way to help the Africans, because they also want business and investment like other regions of the world.

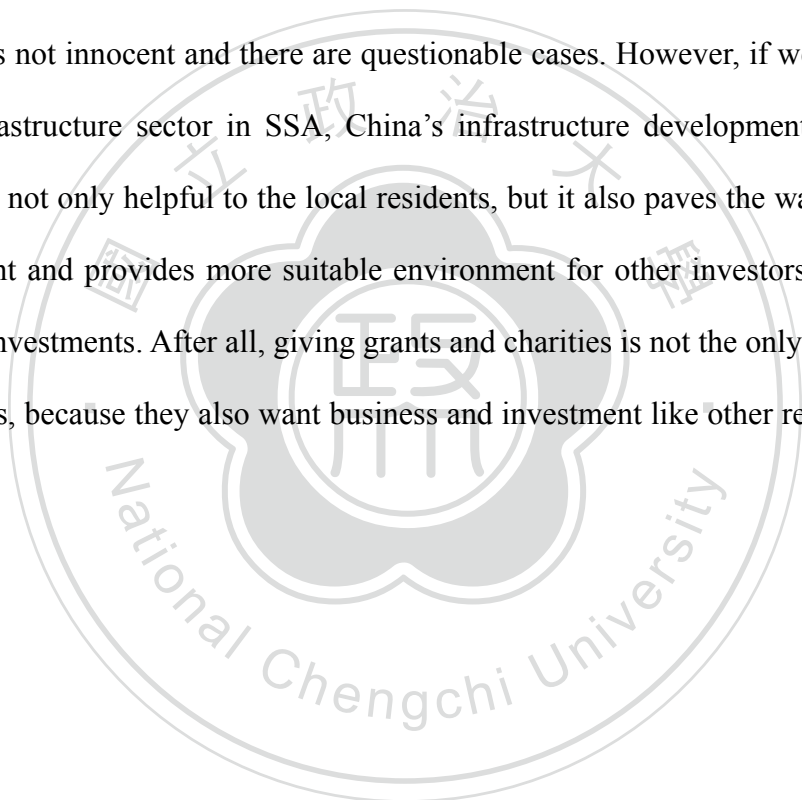


Table 4- 3: Selected Chinese Funded Infrastructures Completed in 2015-2017

Name/ Year of Completion	Commissioned Chinese Enterprises	Significance
Lobito-Luau railway in Angola (Completed in 2015)	China Railway Construction Corporation Limited. (SOE)	Links the Atlantic coastal city of Lobito, Angola and the Luau city, which is on Angolan border with the Democratic Republic of the Congo.
Addis Ababa Light Rail Transit (AA-LRT) in EAddis Ababa Light Rail Transit (AA-LRT) in Ethiopia (Completed in 2015)	China Railway Group Limited. (SOE)	Transport about 60,000 passengers per day, helps ease people's travels in the Ethiopian.
Ethio-Djibouti Standard Gauge Railway (Completed in 2017)	China Railway Group Limited and China Civil Engineering Construction Corporation (SOEs)	Linking the Ethiopian capital Addis Ababa and the port of Djibouti.
Kigamboni Bridge in Tanzania (Completed in 2016)	China Railway Construction Engineering Group and China Railway Major Bridge Engineering Group Co. (SOEs)	Connects Dar es Salaam's business district of Kurasini with another district of Kigamboni.
Doraleh Multi-Purpose Port of the Port of Djibouti (Completed in 2017)	China Merchants Group (SOE)	Plans to establish a large free-trade zone a transport hub for the BRI and enhance the handling capacity of the goods heading to Ethiopia by crossing Djibouti.
Abuja-Kaduna railway in Nigeria (Completed in 2016)	China Civil Engineering Construction Corporation. (SOE)	Nigeria's first Standard Gauge Railway modernization Project.
Mombasa-Nairobi Standard Gauge Railway (First Phase Completed in 2017)	China Road and Bridge Corporation (Subject to China Communications Construction Co., which is a SOE)	Enhance passengers and cargo transportation between Mombasa, the largest port in East Africa, and Nairobi, the capital city of Kenya.

Source: Composed by the Author.

Wanting for Information and communications technologies (ICTs)

In an ordinary session of the African Union Specialized Technical Committee meeting on April 14, 2019, the AU experts claim that one of the themes of 2019 is to develop smart infrastructure and boost Africa's Continental transformation and integration.⁵⁵ Given that information technology is crucial to smart infrastructure, the AU is also expressing the need that besides the common infrastructures of

⁵⁵ The African Union Commission, "Smart Infrastructure Accelerates Regional Integration, Say Experts at African Union STC on Energy, Transport and Tourism," *The African Union Commission*, April 16, 2019, <https://au.int/en/pressreleases/20190416/smart-infrastructure-accelerates-regional-integration-say-experts-african>

transportation or energy, Africa also needs internet connection and infrastructure of telecommunication. As a matter of fact, China has already made an impact in the emerging telecommunication industry in Africa via a mixed aid package of Chinese grants, loans and export credits.⁵⁶ For instance, along with Huawei's support, the Export-Import Bank of China has provided US\$ 50 million loans to Societe des Telecommunications de Guinee (Sotelgui), a state-owned telecommunication enterprise in Guinea.⁵⁷ Furthermore, the Export-Import Bank of China had also provided US\$ 100 million loans for development of its Galaxy Backbone ICT network in Nigeria in 2012,⁵⁸ a roughly US\$ 180 million mixed loan to the e-government projects in Ghana,⁵⁹ a total of US\$ 170 million for the National ICT Broadband Backbone (NICTBB) project in Tanzania,⁶⁰ etc. On October 17, 2017, Huawei Marine Networks signed a memorandum of understanding (MOU) with China Construction Bank to build a new subsea cable system, called the Pakistan East Africa Cable Express (PEACE) Subsea Cable, to connect South Africa, Kenya, Djibouti, Somalia and Pakistan.⁶¹ This cable is expected to become online at the end of 2019 and facilitate the connectivity between Asia, Africa and Europe.⁶²

⁵⁶ Iginio Gagliardone and Sam Geall, "China in Africa's Media and Telecommunications: Cooperation, Connectivity and Control," *Noref Expert Analysis*, 2014, <https://www.files.ethz.ch/isn/179376/7880fd6b12b93bdd18eddcdbd4f4e207f.pdf>

⁵⁷ Ecofin Agency, "Guinea: According to the Minister of Telecoms, the \$50 Million Planned to Revive the Sotelgui are Not Enough," *Ecofin Agency*, October 5, 2017, <https://www.ecofinagency.com/telecom/0510-37536-guinea-according-to-the-minister-of-telecoms-the-50-million-planned-to-revive-the-sotelgui-are-not-enough>

⁵⁸ AidData, "China Issues \$100 Million USD Loan for Galaxy Backbone ICT Project," *Aid, China, and Growth: Evidence from a New Global Development Finance Dataset*, <https://china.aiddata.org/projects/30340>

⁵⁹ Iginio Gagliardone and Sam Geall, "China in Africa's Media and Telecommunications: Cooperation, Connectivity and Control."

⁶⁰ Steve Esselaar and Lishan Adam, Understanding what is happening in ICT in Tanzania, *Evidence for ICT Policy Action Policy Paper* (2013), https://researchictafrica.net/publications/Evidence_for_ICT_Policy_Action/Policy_Paper_11_-_Understanding_what_is_happening_in_ICT_in_Tanzania.pdf

⁶¹ Winston Qiu, "Consortium Signs MOU for PEACE Submarine Cable Project," *Submarine Networks*, October 19 2017, <https://www.submarinenetworks.com/en/systems/asia-europe-africa/peace/consortium-signs-mou-for-peace-submarine-cable-project>

⁶² News Desk, "Huawei Marine Commences Survey for PEACE Submarine Cable," *Pakistan Today*, May 4, 2018, <https://profit.pakistantoday.com.pk/2018/05/04/huawei-marine-commences-survey-for->

Regarding the smart infrastructures, the FOCAC Johannesburg Action Plan (2016-2018) has committed to build smart cities for African countries.⁶³ It is a reality that Chinese telecom powerhouses Huawei and Zhongxing Telecom Ltd (ZTE) have broken the monopoly of Western telecom giants in Africa and provided communications services for over 300 million African users, established more than 40 third-generation telecom networks in more than 30 African countries and built national fiber-optic communications networks and e-government networks for more than 20 African countries by the year of 2010.⁶⁴ However, the concept of building African smart cities was never officially brought up until Xi Jinping has taken the Presidential Office. The Johannesburg Action Plan (2016-2018) stated that China will help African countries to build “Smart Cities,” and enhance the roles of information and communication technology in safeguarding social security, and fighting against terrorism and crime. In a report entitled “Leading New ICT: Building a Better Smart City” issued by Huawei in 2016, it states that the concept of smart city is to use leading-edge ICT, wireless networks, cloud computing, data mining and analysis to enhance cross-agency collaboration, urban management and public service efficiency.⁶⁵ The objective is to reinforce the public safety, smart utility of resources such as water, gas, and electricity, transportation efficiency including bus, metro and traffic flow, and environmental protection.⁶⁶ Huawei is providing smart city services to cities in Algeria, Nigeria, Ghana, Uganda, Kenya, Angola, South Africa and Madagascar.⁶⁷

peace-submarine-cable/

⁶³ Ministry of Foreign Affairs, the People’s Republic of China, “The Forum on China-Africa Cooperation Johannesburg Action Plan (2016-2018).”

⁶⁴ Andrea Marshall, “China’s mighty Telecom Footprint in Africa,” *New Security Learning*, February 14, 2011, <http://www.newsecuritylearning.com/index.php/archive/75-chinas-mighty-telecom-footprint-in-africa>

⁶⁵ Huawei Technologies Co., *Leading New ICT: Building a Better Smart City*, Huawei, 2016, <https://voip-la.com/docs/Huawei-Smart-City-Brochure.pdf>

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

4.4.2 Evaluation: Aid for Complementarities

The result of this research rejects the assumption that China is exploiting the SSA at the expense of African people via aid projects, because there are complementarities between the infrastructure aid from China and the infrastructure needs of African countries. As it is highlighted in Table 4-3, there are at least five matching up points.

First, African countries have severe infrastructure deficit and financial gap ranging from US\$ 68 billion to US\$ 108 billion every year. On the other hand, China has a competitive infrastructure industry and is willing to outstretch its constructing momentum for reducing the risks of domestic overcapacity. From the Going Global policy to the BRI, China has been encouraging its enterprises to go abroad and make investment with the support from the government subsidized concessional loan to securitize the risks and uncertainty.

Second, Africa is also suffered from broadband infrastructure deficit while China also has a competitive ICT industry. The AU yearns for smart infrastructure and China has been developing Information and Communication Technology in SSA for years.

Third, the AU has a vision of promoting the regional connectivity among African countries and it is agreed by most of the African leaders that Africans need to have fast-track trans-boundary energy and transport infrastructures. China has the finance and the capability to cooperate with the AU and deliver the task.

Last but not least, African countries are looking for alternative cooperation partners besides the traditional DAC countries. As one of the heavyweights among the Non-DAC actors, China can be the alternative partner to Africans.

To sum up, China’s foreign aid projects to SSA are not exploitative, but constructive, especially the infrastructure development aid. In the sector of infrastructure development, it is not a reality to claim that Chinese aid is a form of neo-colonialism.

Table 4- 4: Sino-Africa Complementarities of Infrastructure Development Aid

African Countries	China
Suffered from major infrastructure deficit.	Has a competitive infrastructure industry.
Suffered from broadband infrastructure deficit.	Has a competitive Infrastructure industry and Information and Communication Technology (ICT) industry.
The UN Economic Commission for Africa (ECA) and the African Union (AU) yearn for infrastructure connectivity in Africa and fast-track trans-boundary energy and transport infrastructure.	China has the finance, infrastructure capability and domestic risks of overcapacity.
Major exporter of natural resources.	High demand for natural resource input.
Looking for an alternative partner of finance and development.	China’s trinity of aid, trade and investment. (From Going Global to BRI)

Source: Composed by the Author.

4.5 Multilateral Cooperation of Chinese Aid is on the Rise

When commentators are criticizing China’s foreign aid is a form of neo-colonialism, they overlook a fact that China has been engaging with international organizations and a third party country to jointly implement aid projects in African countries. Although it is a reality that a majority of Chinese aid projects are conducted in a bilateral relationship between China and an African country, it does not mean that China refuses to work with a third party country or international organization to implement aid projects coordinately. China’s trilateral aid cooperation would be employed to debunk the rhetorical myth claiming China is practicing neo-colonial agenda in Sub-Saharan Africa. If China is practicing a predatory agenda of neo-colonialism via foreign aid among African countries, why would it cooperate with international organizations in foreign aid projects or invite a third party to join the project? The gesture of engaging multilateral aid cooperation displays a message that China is not concealing malicious

attempts in its aid projects and it feels confident about the work that it has achieved.

4.5.1 A Multilateral Turn of Chinese Aid to SSA

Despite the fact that most of China's foreign aid projects are carried out in a bilateral cooperation, there is a tendency for China to become more open and willing to be engaged with multilateral platforms of foreign aid cooperation. China has had a multilateral turn for Chinese aid deployment to the SSA and this is a critical factor when assessing whether China's foreign aid is in a form of neo-colonialism. If China is practicing neo-colonial agenda in SSA, to be harmonized with the multilateral organizations for foreign aid cooperation would be the last thing that China needs. Conversely, China is showing a tendency to be more engaged with multilateral organizations in aid cooperation.

The multi-layered engagement of Chinese aid in SSA

China's foreign aid to SSA has a multi-layered platform. There are three layers of Sino-African engagements of aid projects, including bilateral, regional and international (see Figure 4-5). Most of the commentators tend to only focus on the bilateral and regional layers and suggest that China has been exploiting the Sino-Africa relations, including the African Union. However, the international layer of Chinese aid to SSA has been under-researched.

The bilateral layer is the country to country cooperation, which China has been making bilateral efforts for decades. Second layer is the cooperation between China and the AU on projects of regional level or even trans-regional level in the African Continent. China has always reiterated its support to the African Union and projects led by the AU, such as the New Partnership for Africa's Development (NEPAD) and

Agenda 2063.⁶⁸ The AU Conference Center and Office Complex located in Addis Ababa, Ethiopia were also funded and completed by China in 2012.⁶⁹ The third layer is the cooperation between China and international organization, such as the United Nations or a trilateral cooperation between China, African countries or cooperation between China, African country and a third party country like the United Kingdom or Denmark. Ever since the first FOCAC held in 2000, China has expressed willingness to explore effective ways of trilateral co-operation among China, African countries and the relevant international institutions such as the United Nations Food and Agriculture Organization (FAO) and the UNCTAD.⁷⁰

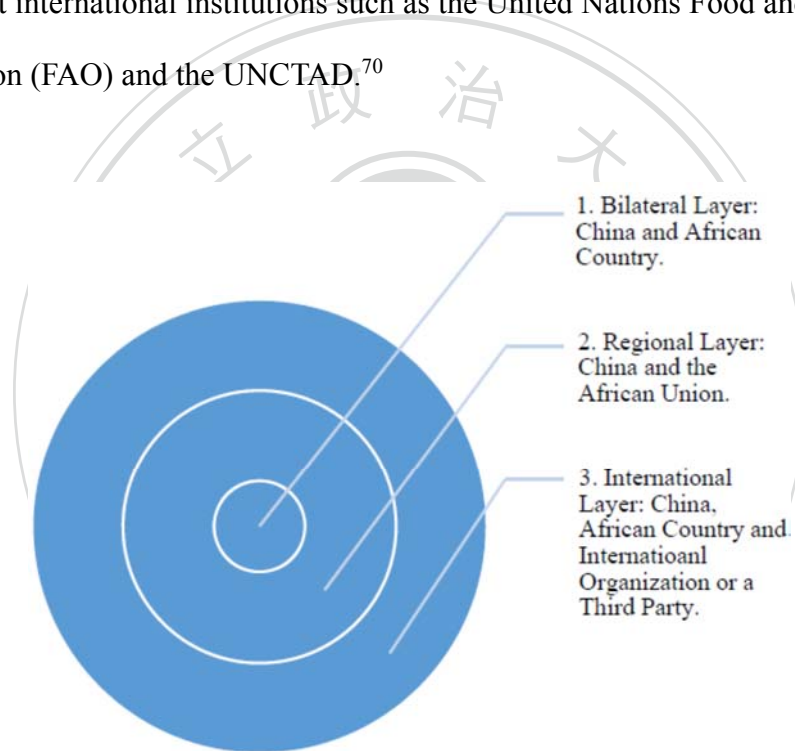


Figure 4- 5: China’s multi-layered engagements of aid with Sub-Saharan Africa

Source: Composed by the Author

⁶⁸ Ministry of Foreign Affairs, the People's Republic of China, “Forum on China-Africa Cooperation Beijing Action Plan (2007-2009)”; Ministry of Foreign Affairs, the People’s Republic of China, “Forum on China–Africa Cooperation Sharm El Sheikh Action Plan (2010–2012).”

⁶⁹ Hu Jintao, “Open up New Prospects for A New Type of China-Africa Strategic Partnership,” *The State Council of the People's Republic of China*, July 19, 2012, http://www.gov.cn/english/2012-07/19/content_2187301.htm

⁷⁰ Ministry of Foreign Affairs, the People’s Republic of China, “Programme for China-Africa Cooperation in Economic and Social Development.”

The evolving Chinese attitude towards multilateral aid cooperation

There has been a transformation of China's attitude towards the multilateral cooperation of foreign aid in Sub-Saharan Africa. Before China's admission to the United Nations, Beijing was having a much reserved willingness to participate in the multilateral aid via the multilateral institutions because of its ideological tendency of socialist internationalism and lack of trust with the international regime led by the United States. As a result, China had selectively participated in international institutions for multilateral aid.⁷¹ However, since multilateral engagement was part of China's reform and opening-up policy in late 1970s, it has impacted China's foreign aid deployment in terms of making more efforts to work with international organizations. One of the classic example of China's multilateral turn was the Conference on Technological Cooperation for Developing Countries in the Asia-Pacific Region, which was jointly organized by China, United Nations Economic and Social Commission for Asia and the Pacific and the United Nations Development Programme in November 1983.⁷² China's foreign aid deployment was starting to aim at more international cooperation and multilateral engagements.

Reiterating the significance to be in conformity with international standards

Another tendency of China's foreign aid deployment is to constantly expressing a positive intention to conform to the international standards in public occasions. The latest FOCAC Beijing Action Plan (2019-2021) reiterates its positive intention to be in compliance with the international standards and international regime when delivering

⁷¹ Hou Xiong, "China's Foreign Aid and Multilateral Development Organizations," in Hong Zhou ed. *China's Foreign Aid: 60 Years in Retrospect* (Singapore: Springer Nature, 2017), p. 53.

⁷² 中國南南合作網, 〈中國南南合作發展戰略〉, 《中國南南合作網》, http://www.ecdc.net.cn/newindex/page/south_index/page_3/file_3/2.htm

aid cooperation projects with African countries.⁷³ This has two implications. First, China is confident about the quality of their aid projects so that it is willing to conform to the international standards. Second, China is trying to harmonize the situation of African countries with the international regimes. The FOCAC Beijing Action Plan (2019-2021) has mentioned several measures of harmonizing the African developments with the international standards via Chinese aid.⁷⁴ These measures include China continues to provide funds and technical support under the framework of technical cooperation of the International Maritime Organization (IMO) when developing ocean economy with African countries; China trains aviation professionals for African countries and provide capacity building assistance to match the African level with International Civil Aviation Organization (ICAO) standards; China and African countries enhances cooperation at the International Telecommunication Union (ITU); China provides technical support for strengthening health-related capacities under the International Health Regulations issued by World Health Organization (WHO).⁷⁵

To assist African countries to further harmonize with the international regime is in fact a long lasting practice of FOCAC since the year of 2000. However, it becomes more apparent in the Xi Jinping's era for Beijing to claim its conformity with international regime while promoting the open and inclusive development of the BRI. Beijing is aware of the fact that a stable, rules-based international system best suits China's development interests and foreign aid projects.

⁷³ Ministry of Foreign Affairs of the People's Republic of China, "Forum on China-Africa Cooperation Beijing Action Plan (2019-2021)."

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

4.5.2 Trilateral Cooperation is on the Rise

In addition to the before mentioned conformity to international standards, trilateral cooperation has become a rising model for China to incorporate international organizations or a third party country into participation.

Defining trilateral cooperation of aid projects

China's trilateral cooperation means development cooperation projects that aim to transfer Chinese hardware, share technology and technical expertise and promote mutual learning via the involvement of China's institutions, international development agencies (or traditional aid donors from the DAC community), and institutions from the aid recipient country throughout the project cycle, including initiation, design, implementation, management, monitoring and evaluation.⁷⁶ Each party needs to contribute financial resources, technical expertise or in-kind support.⁷⁷

Trilateral cooperation of aid projects from the FOCAC

In line with the FOCAC action plans, the usual practice of trilateral cooperation is for China to cooperate with an international organization on a development project in African countries with African governments. For instance, the Beijing Action Plan (2019-2021) states that both China and Africa will continue to implement the United Nations Educational, Scientific and Cultural Organization (UNESCO)-China Funds-in-Trust, which was initiated by the UNESCO and enforced in 2012 with a Chinese donation of US\$8 million for a four-year technology teacher training program in Côte d'Ivoire, Ethiopia, Namibia, Republic of the Congo, DR Congo, Liberia, Tanzania, and

⁷⁶ Christine Han, "Trilateral Cooperation with China: Sharing China's Development Experience through Innovative Partnerships," *Discussion Paper of UNDP* (2016), pp. 1-18.

⁷⁷ *Ibid.*

Uganda.⁷⁸ Togo and Zambia were also joined in the second phase of this project.⁷⁹ If China is having a neo-colonial agenda in foreign aid projects, the UNESCO would not work with China to promote aid projects. Furthermore, the UN's ITU had signed an agreement with China to jointly assist developing countries to strengthen their ICT networks and services in 2017.⁸⁰ The current ITU Secretary-General is Houlin Zhao who used to serve in the Designing Institute of the Ministry of Posts and Telecommunications of China and has been a veteran of harmonizing China's telecommunication standards with the ITU.⁸¹ During an opening ceremony of ITU on September 11, 2018, Secretary-general Zhao declared that Africa and China will strengthen their cooperation on ICT through the assistance of ITU and the ITU will work closely with China and Africa to implement the decision agreed by the FOCAC summit.⁸²

Trilateral cooperation of aid projects of China-Denmark-Ghana and China-Demark-Zambia

Despite the widely spread rhetoric of China's tactic use of government-subsidized loan, to finance development projects in African countries has not been an easy task for Beijing in terms of the funding. However, in the case of a multilateral cooperation of aid projects, China might not have to be the financier. On August 19, 2014, a partnership

⁷⁸ UNESCO, "UNESCO-China Funds-in-Trust Project "Harnessing Technology for Quality Teacher Training in Africa" phase I conclusion and Phase II launch meeting," *UNESCO*, March 29, 2017, <https://en.unesco.org/events/unesco-china-funds-trust-project-harnessing-technology-quality-teacher-training-africa-phase>

⁷⁹ *Ibid.*

⁸⁰ Houlin Zhao, "China's One Belt, One Road can Improve Lives at Scale through ICT Investment," *ITU News* May 16, 2017, <https://news.itu.int/chinas-one-belt-one-road-can-improve-lives-at-scale-through-ict-investment/>

⁸¹ Office of the Secretary-General of ITU, "Biography of Houlin Zhao, ITU Secretary-General," *International Telecommunication Union*, <https://www.itu.int/en/osg/Pages/biography-zhao.aspx>

⁸² Houlin Zhao, "Houlin Zhao Secretary-General, ITU Speech at Opening Ceremony," *International Telecommunication Union*, September 11, 2018, <https://telecomworld.itu.int/speeches/houlin-zhao-secretary-general-itu-speech-at-opening-ceremony/>

was forged between China, Denmark, Ghana, Zambia and the UNDP with the signing of a project agreement for Renewable Energy Technology Transfer.⁸³ This has marked the first time for China and African countries to be engaged in a multilateral cooperation with financial support from another donor besides China, which is Denmark in this case. The government of Denmark donated DKK\$ 29.25 million, equivalent to US\$ 5.4 million to the UNDP for the project implementation in Ghana and Zambia at the initial phase.⁸⁴ Specifically speaking, the total budget for Ghana is totaled US\$ 2.7 million, which Ghana shall receive US\$ 1.7 million and China would receive US\$ 956,000 from Denmark.⁸⁵ In the case of Zambia, the total budget is US\$ 2.6 million and Zambia receives US\$ 1.59 million while China receives US\$ 1 million from Denmark.⁸⁶ The project aims to ensure China's renewable energy technologies are fulfilling and responding to the priorities and needs in Ghana and Zambia and to transfer the skills and technologies. Both the UNDP and Denmark have recognized the competitive strength in China's renewable energy sector as well as good cooperative ties between China, Ghana and Zambia. In short, by bringing a Western partner and international organization like the UNDP into the development projects of energy, information technology and human resource building, China has been harmonizing itself with the multilateral platforms of foreign aid while safeguarding its own interests.

4.5.3 Evaluation: A Multilateral Turn of Chinese Aid

Since the launch of FOCAC in 2000, China has been having a multilateral turn in

⁸³ Transmission and Distribution World, "China, Denmark, Ghana, Zambia Sign Renewable Energy Technology Transfer Agreement," *T&D World*, August 20, 2014, <https://www.tdworld.com/node/30378>

⁸⁴ *Ibid.*

⁸⁵ UNDP, "China-Ghana South-South Cooperation on Renewable Energy Technology Transfer," UNDP, 2014, <https://info.undp.org/docs/pdc/Documents/CHN/ProDoc%20-%2091276.pdf>

⁸⁶ UNDP, "China-Zambia South-South Cooperation on Renewable Energy Technology Transfer," UNDP, 2014, <https://info.undp.org/docs/pdc/Documents/ZMB/China%20Zambia%20South%20South%20Renewable%20Energy%20Technology%20Transfer%20Project%20Document.pdf>

Chinese aid allocation, which is incongruous to the disputed claims suggesting that Chinese aid is having a neo-colonial agenda. If China is exploiting the Sino-African relationship as a neo-colonial power, it does not have to work with a third party country or an international organization. Conversely, a multilateral cooperation of foreign aid usually carry less self-interests, because the higher participation of countries, the more political neutrality it would have in a project.

Despite a majority of foreign aid projects are still bilateral, China has been spared no efforts on the regional cooperation with the AU and international cooperation with international organizations affiliated with the UN system. Moreover, China is willing to be more conformed to the international standards in aid provision as well as helping African countries to be harmonized with the international regimes in sectors of oceanic economic, aviation, information and communication technology, etc.

Furthermore, the cases of China- Denmark-Ghana cooperation of renewable energy and China-Demark-Zambia cooperation of renewable energy via the UNDP's coordination is a clear sign that not only China is willing to be harmonized within the current international regime, but a stable, rules-based international system suits China's development interests and provides a favorable environment of Chinese aid projects.

Given that China's multilateral cooperation of foreign aid projects is on a rise, it is not a reality to claim that Chinese aid is in a form of neo-colonialism. If China's aid projects are full of predatory acts, exploitation and political domination, it would not be feasible for an UN affiliated organization such as the UNDP to work with China. China's foreign aid has never been altruistic as a unilateral gift donation from the wealthy to the poor, because it insists on the concept that both sides could be benefited from each other's development. In the case of multilateral cooperation of foreign aid,

China indeed can take advantages of the shared financial resources from the international organization or a third party country. Nevertheless, there is a gap between the rhetorical claim of a neo-colonial aid and the reality.

4.6 Summary

Is China's foreign aid a form of neo-colonialism in the SSA? By incorporating four critical indicators from Kwame Nkrumah, the research investigates whether China is using economic means to extend political influence in the SSA, whether China can control and dictate the resources and policies of the SSA, whether China has achieved nothing but exploitation in the SSA and whether African countries cannot be the Masters of their own destiny.

To unpack this disputed claim of Chinese neo-colonial aid, the workflow of Chinese aid project has been scrutinized for examining whether China is exploiting the entire foreign aid deal with a total lack of African country ownership. Furthermore, the complementary aspects of Sino-African cooperation of foreign aid projects is elaborated to see whether Chinese aid brings exploitation only to the SSA. Last but not least, China's aid behaviors of collaborating with a third party country or a third party international organization in the SSA has been scrutinized. If China is an exploiting neo-colonial power in the SSA, to collaborate or to share with a third party country or international organization in the aid projects does not serve the best interests of a neo-colonial agenda. In addition, an UN affiliated international organization would not work with an aid donor that has a neo-colonial agenda of foreign aid.

After the analysis, it is clear that African governments have country ownerships, agencies and bargaining power to seek for the best interests of Africans in the aid

cooperation with China. Moreover, China's aid projects are products of a bilateral cooperative procedure of government to government negotiation and agreements. In other words, the agreed aid projects are part of the discretion of African governments. African governments can decline the aid project if they consider this is not the best interests. In this sense, China's foreign aid is not a neo-colonial activity, because African governments are the Masters of their own destiny.

Furthermore, there are positive complementarities between the infrastructure aid from China and the infrastructure needs of African countries. It is a fact that African countries have severe infrastructure deficit and a huge financial gap ranging from US\$ 68 billion to US\$ 108 billion every year.⁸⁷ On the other hand, China has a competitive infrastructure industry and is willing to outstretch its constructing momentum for reducing the risks of domestic overcapacity. In addition, the AU has a vision of promoting the regional connectivity among African countries and most of the African leaders consider that Africans need to have fast-track trans-boundary energy, transport and even smart infrastructures supported by updated information and communication technology. Not only China has the finance and the capability of building infrastructure, it also has the policy of BRI to enhance the trans-regional and trans-continental connectivity via infrastructures. There is a complementary need for exchange between China and countries from the SSA.

Lastly, since the launch of FOCAC in 2000, China has been having a multilateral turn in Chinese aid allocation, which is incongruous to the disputed claims suggesting that Chinese aid is having a neo-colonial agenda. If China is exploiting the Sino-African relationship as a neo-colonial power, it does not have to work with a third party country

⁸⁷ African Development Bank, "African Economic Outlook 2018."

or an international organization. Conversely, a multilateral cooperation of foreign aid usually carry less self-interests, because the higher participation of countries, the more political neutrality it would have in a project implementation. Given that China's multilateral cooperation of foreign aid projects is on a rise, it is not a reality to claim that Chinese aid is in a form of neo-colonialism. If China's aid projects are full of predatory acts, exploitation and political domination, it would not be feasible for an UN affiliated organization such as the UNDP to work with China.



Chapter Five

Is China's Foreign Aid a Debt Trap?

Rhetoric and Reality

5.1 Introduction

The external debt has always been an issue for the SSA since the 1980s with the stagnation of economic growth and the controversial Structural Adjustment Programs (SAPs) promoted by the WB, IMF and other donors from the DAC community.¹ It is a fact that the measures of the SAPs included the free market development, private sector promotion, elimination of subsidies, public support cutting, devaluation and other features of neo-liberalism did not really solve the debt problem and successfully eradicated poverty in the SSA.² With China's rise and its intensified foreign aid cooperation with the SSA, covering a multiple sectors of trade, investment, infrastructure, education, health, etc., the debt issues of the SSA has been brought up again with a polarized debate on whether China's development aid programs provide an opportunity for Africans to develop economically or a curse that actually exacerbates the debt stress in the SSA.³

Among the disputed claims about China's foreign aid behaviors in the SSA, debt trap diplomacy is the heated topic in recent years. The term "debt-trap diplomacy," was coined by an Indian researcher Brahma Chellaney and he claims that China is using

¹ Kidane Mengisteab and Bernard I. Logan, "Africa's Debt Crisis: Are Structural Adjustment Programs Relevant?" *Africa Development*, Vol. 16 No. 1 (1991), pp. 95-113.

² Franz Heidhues and Gideon Obare, "Lessons from Structural Adjustment Programmes and Their Effects in Africa," *Quarterly Journal of International Agriculture*, Vol. 50 No. 1 (2011), pp. 55-64.

³ Nathanaël T. Niambi, "China in Africa: Debtbook Diplomacy?" *Open Journal of Political Science*, No. 9 (2019), pp. 220-242.

economic instruments as a diplomatic tools to trap other countries with excessive debt and weaken their sovereignty via the debt leverage.⁴ In addition, Sam Parker and Gabrielle Chefitz's "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy" is the article that made this term of Chinese debt trap gone viral.⁵ With China's global development aid program, extending billions of dollars in loans to developing countries for construction and infrastructure, China is leveraging huge debts, which cannot be paid back in exchange of strategic assets and political influence over the debtor nations.⁶ Parker and Chefitz also suggest that since some countries are deeply indebted to China, they would proactively adapt China-friendly policies and it is eroding the U.S. interests.⁷ The U.S. National Defense Strategy of 2018 stated that China is leveraging "predatory economics" as a means to achieve both regional and global strategic ends.⁸ On December 13, 2018, the U.S. National Security Advisor John Bolton declared that China is using bribes, opaque agreements, and the strategic use of debt to hold states in Africa captive to Beijing's wishes and demands when announcing the Trump Administration's New Africa Strategy at the Heritage Foundation.⁹

Among all these claims about China's debt trap of foreign aid projects and loans, the Kiel Institute for the World Economy, an independent economic research institute based in Kiel, Germany has made the boldest claims of Chinese loan in 2019¹⁰ and

⁴ Brahma Chellaney, "China's Debt-Trap Diplomacy," *Project Syndicate*, January 23, 2017, <https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01?barrier=accesspaylog>

⁵ Sam Parker and Gabrielle Chefitz, "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy."

⁶ *Ibid.*

⁷ *Ibid.*

⁸ The U.S. Department of Defense, "Summary of the 2018 National Defense Strategy of the United States of America," *U.S. Department of Defense*, 2018, <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>

⁹ John R. Bolton, "Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration's New Africa Strategy."

¹⁰ Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending."

many media are citing this report from the Kiel Institute. Big Think, a weekly newsletter agency claims that China's overseas lending, "which was virtually zero before the turn of the century — well, about US\$ 500 billion in 2000 — stands today, ostensibly, at around US\$ 5 trillion."¹¹ It goes even further and said that China is the world's largest creditor, being twice as large as both the World Bank and the International Monetary Fund, combined.¹² *The Economist* also cited the same source from the Kiel's report and asserted that nearly half of China's credit is hidden.¹³ Indeed, the Kiel Institute has made several bold statements about China's massive overseas lending as the following.¹⁴ First, it states that almost all of China's overseas lending and investment is official. Second, Sebastian Horn, Carmen Reinhart and Christoph Trebesch suggest that there is a total of 1,974 Chinese loans and 2,947 Chinese grants to 152 developing countries from 1949 to 2017 and the total value is amounted US\$530 billion. Third, Sebastian Horn et al. find that about 50% of China's lending is "hidden," which have grown to more than US\$ 200 billion as of 2016. Fourth, the Kiel report claims that China holds more than US\$ 5 trillion of debt towards the rest of the world up from less than US\$ 500 billion in the early 2000s. Fifth, the Kiel report accounts that among all the China's overseas loans, the interest-free loan is amounted 0.20%, followed by a 15.8% of the concessional loan and the highest proportion is China's commercial loan, which is amounted 59.6%. In note, the Kiel Institute suggests that China has become a "dominant" player in the international financial system in the past two decades.

Unfortunately, despite such a bold statement asserting that China has held more than

¹¹ Mike Colagrossi, "New Study Uncovers China's Massive Hidden Lending to Poor Countries," *Big Think* July 18, 2019, <https://bigthink.com/politics-current-affairs/china-loans>

¹² *Ibid.*

¹³ *The Economist*, "A New Study Tracks the Surge in Chinese Loans to Poor Countries," *The Economist*, July 13, 2019, <https://www.economist.com/finance-and-economics/2019/07/13/a-new-study-tracks-the-surge-in-chinese-loans-to-poor-countries>

¹⁴ Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending."

US\$ 5 trillion of debt towards the rest of the world from a stage of less than US\$ 500 billion in the early 2000s and China's overseas loans and grants are totaled US\$530 billion, the Kiel's report does not mention data sources, figures and statistics. How much loans have China really provided? It is doubtful that China has held more than US\$ 5 trillion of debt, because China's Official Reserve Assets amounted in 2018 was totaled US\$ 3.2 trillion.¹⁵ We cannot ascertain the statements from the Kiel's report without the statistics and evidences.

Nevertheless, to sum up the claims of China's debt-trap diplomacy via foreign aid projects, there are three indicators defining the content of the alleged Chinese debt trap. First, critics are suggesting that Chinese loans are strategic instruments deployed to trap recipient countries with massive debts. Second, China is giving huge loans to the SSA and intentionally making them in a serious debt burden. Third, once the recipient country is deeply indebted, China can extend its political influence by weakening the sovereignty of the indebted country.

Are China's foreign aid projects debt-traps? Does a seriously indebted recipient country best serve the interests of China's contacting enterprises? Are the Chinese concessional loans aiming at extending China's political influence? Are the claims of China's debt traps rhetoric or reality? Despite the accusation of China's debt-trap behaviors of foreign aid, limited research has investigated the origin of China's loan policy, the mechanism of China's resource/commodity backed loans and the amount of China's grants, loans and debt cancellation. Furthermore, the indebted situation among the African countries has not received sufficient discussion. For instance, who owns the most debt of SSA? Is China the largest creditor in the SSA? More importantly, what

¹⁵ "China's Official reserve assets of 2018," *The State Administration of Foreign Exchange*, January 7, 2019, <http://m.safe.gov.cn/safe/file/file/20190123/b5b92a84bae84191bc4ff0b6573d5850.pdf>

African countries are the largest borrowers of Chinese loans? Are those largest African borrowers in serious indebted situation?

In order to investigate these unexplored questions and investigate whether China's debt trap of aid is a reality or rhetoric, Chinese loans in terms of its origin, purpose and mechanism would be unpacked at first. In addition, the amount of China's grant, debt cancellation and loans would be assessed. It is significant to figure out the volume before making analysis. Thirdly, data and statistics are applied to probe the indebted situation among the top African borrowers from China. Lastly, the author attempts to find out the purpose of providing Chinese loans to the SSA?

5.2 Deconstructing the Chinese Loan

Many commentators tend to view China's loan as a predatory act and a Chinese political leverage to extend its influence. However, few have comprehended the fact that China's loan policy was not created by China, but appropriated from the developed countries during the 1980s. The nature of Chinese loan would be scrutinized for unveiling that China's loan policy was created for the incentive to drive economic development, promote China's overseas contracting projects and securitize the risks and uncertainty of overseas economic cooperation in the developing countries. Moreover, the origin of China's loan policy was appropriated from a commercial model of the developed countries in the 1980s when China decided to use domestic resources in exchange for foreign capitals and the inflow of investment, technologies and joint ventures. In other words, China's loan policy is not different from the Westerners' practices, because it derives from China's past experiences to cooperate with the developed countries.

5.2.1 The Inauguration of China's Loan Policy in 1995

China's loan policy does not have a long history compared to the six decades of Chinese aid provision, because it was literally formed by the Chinese Minister of Foreign Trade and Economic Cooperation Wu Yi in the 1994 and commerce into full implementation in 1995. More importantly, the incentive of China's loans (including interest-free loans, concessional loans and lines of credits) was not political orientated, but simply driven by the economic objectives to promote China's overseas commerce and contracting projects via a trinity of aid, trade and investment.

China's loan policy was aiming at finding ways to boost China's capability to extend and expand the size and volume of Chinese contracted projects abroad.¹⁶ In fact, during the period of the early 1990s, the policy priority was to find ways to increase China's overseas economic capability via a series of reforms including the promotion of overseas joint ventures, the making of Chinese enterprises as legal persons, so that they can assume the overseas contracting tasks, and the establishment of the Export-Import Bank of China as competent policy bank to provide concessional loans. Clearly, China's loan policy was a part of this economic reform package in the early 1990s for the purpose of promoting China's overseas economic performance. It was not made for the extension of China's political influence and leverage.

5.2.2 China's Loan Provision Aimed at Promoting Overseas Chinese Contracts, not Debt Traps

Given the fact the principal task of the Export-Import Bank of China is to promote

¹⁶ Wang Ping, "The Chinese View: Reflection of the Long-Term Experiences of Aid Receiving and Giving," eds. Yasutami Shimomura and Hideo Ohashi, *A Study of China's Foreign Aid: An Asian Perspective* (New York: Palgrave Macmillan, 2013), pp. 125-144.

China's overseas aid projects, exports and investment via export credit, concessional loans and official lines of credit, we can expect similar growth of China's overseas contracted projects from the 1994 onwards.¹⁷ China's overseas performance of contracted aid projects and contracted values were on a surge since the year of 2000 (see Figure 5-1). It matches with the growing figure of China's concessional loan provided by the Export-Import Bank of China. China only had 195 overseas contracts with a contracted value of US\$ 0.3 billion in 1982, followed by a total of 920 overseas contracts and a contracted value amounted US\$ 2 billion in 1990 (see Figure 5-1). The progress was slow. With the launch of Wu Yi's concessional loan policy in 1994, China had a total of 1,558 overseas contracts with a contacted value amounted US\$ 7 billion in 1995 (see Figure 5-1). It soon increased to a total of 2597 overseas contracts and a total of US\$ 11 billion contracted value in 2000. In 2006, the number of overseas contracts were totaled 12996 with a contracted value of US\$ 66 billion, followed by a number of 9544 overseas contracts in 2010 with a contracted value of US\$ 134 billion (see Figure 5-1).

China's loans (including interest-free loan, concessional loan and lines of credits) are employed as a catalyst to encourage Chinese enterprises to go to the developing countries and conduct aid projects mixing with trade and investment. The loan is used to securitize the risks and the possibility of default, so that China's enterprises are more willing to go abroad and make investment. The purpose was not to set up debt traps among the recipient countries, because a serious indebted recipient country does not serve the interests of Chinese contracting enterprises.

¹⁷ Todd Moss and Sarah Rose, "China ExIm Bank and Africa: New Lending, New Challenges," *Center for Global Development Notes* 2006, https://www.files.ethz.ch/isn/116659/file_China_and_Africa.pdf

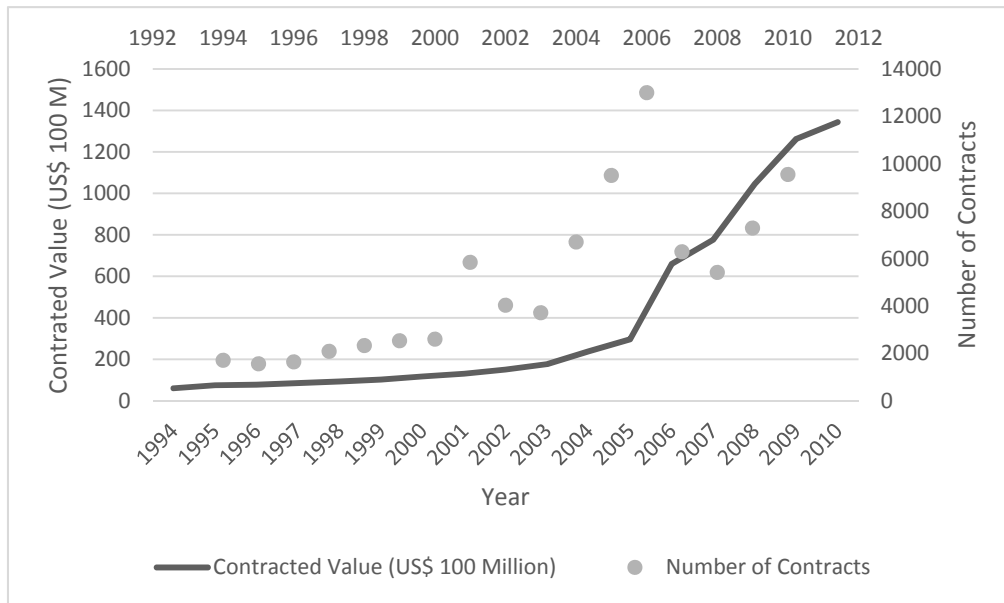


Figure 5- 1: China’s overseas contracts and value, 1994-2010

Source: Author adapted from National Bureau of Statistics of China, “China Statistical Year Book 2013,” *National Bureau of Statistics of China*, <http://www.stats.gov.cn/tjsj/ndsj/2013/indexeh.htm>

5.2.3 China’s Economically Driven Loan Policy is appropriated from the Developed Countries

China’s aid model that contains a commercial tendency and a large proportion of loan and credits is stemmed from its own developing experiences with the developed countries. When critics are judging China’s resource-backed loans as insatiable exploitation of Africans’ resources, few were aware of the fact that China was actually using its own domestic natural resources in exchange for the inflow of foreign capital (mostly loans) in the 1980s. A larger portion of the foreign finance provided for China in the 1980s was not grants, but loans and credits in the forms of compensation trade, bartering trade and joint venture. There was only one-third of the total resource flowed to China could be defined as ODA. The rest of the foreign capitals flowed to China was aimed at commerce and investment.

Take Japan for an example, the Sino-Japan Long Term Trade Agreement signed in 1978 was a mechanism allowing Japan to provide loans, capitals and technologies to

China in exchange for China's domestic natural resources.¹⁸ Specifically speaking, Japan had to export plant and technologies that worth US\$ 7 to 8 billion and construction materials and machinery that worth US\$ 2 to 3 billion to China and China had to export 8 to 9 million tonnes of coal and 47.1 million tonnes of crude oil to Japan.¹⁹ More importantly, among Japan's total Official Development Assistance (including loan, grant and technical assistance) to China since 1979, Japanese loan has greatly outweighed the grant, with a total amount of JPY¥31331 trillion accounted 75% of the total Japanese aid to China by the year of 2005.²⁰ Zhou Qi, chair of the Institute of American Studies under the Chinese Academy of Social Sciences suggests that the provided Japanese loan to China from 1979 to 2007 was 25 times larger than grant, which the former was totaled JPY¥ 3316 billion and the later was totaled JPY¥137 billion.²¹ The Ministry of Foreign Affairs of Japan also estimated that Japan had provided a total of JPY¥ 3316 billion of loan to China from 2012 to 2016 whereas the grant was accounted JPY¥ 157 billion in the same period.²² Clearly, Japanese loans to China are much more than Japanese grants to China. Nevertheless, few commentators have suggested that Japan was trying to use Japanese loans to trap China with debts for its political influence, because it was for the purpose of economic development. China is no exception.

More importantly, China's past experience of embracing the inflow of foreign

¹⁸ Deborah Bräutigam, "China in Africa: What can Western Donors Learn," *Norwegian Investment Fund for Developing Countries* (2011), p. 5.

¹⁹ Dong Dong Zhang, *China's Relations with Japan in an Era of Economic Liberalisation* (New York: Nova Science Pub Inc, 1998), p. 64.

²⁰ Mari Boie Brekkan, Japan ends its yen loans to China: A study of the role of ODA in the bilateral relationship, Department of Cultural Studies and Oriental Languages, University of Oslo (2007), p. ii <https://www.duo.uio.no/bitstream/handle/10852/24412/oppgave.pdf?sequence=1&isAllowed=y>; Marie Söderberg, "Changes in Japanese Foreign Aid Policy," *Working Paper No. 157* (2002), p. 7. <https://swopec.hhs.se/eijswp/papers/eijswp0157.pdf>

²¹ 周琪,〈戰後日本援華神話可以休矣〉,《觀察者》,2013年5月20日, https://www.guancha.cn/ZhouZuo/2013_05_20_145743.shtml

²² Ministry of Foreign Affairs of Japan, "Japan's ODA to China by Fiscal Year," *Ministry of Foreign Affairs of Japan*, <https://www.mofa.go.jp/files/000128001.pdf>

capitals from 1979 to 2000 proved that it was always much more commercially driven loans (included a large proportion of OOF from foreign countries), rather than grants. Since 1979, more than 2100 joint ventures, foreign enterprises had been established in China by the year of 1985.²³ Despite that a part of this capital inflow was considered grant-based ODA, a larger portion of the foreign finance was not free, but in the forms of compensation trade, joint venture, foreign borrowing and loans. China's Foreign Economic and Trade Statistical Year Book from 1980 to 1989 has indicated that China's external borrowing from 1979 to 1988 was totaled over US\$ 37.7 billion, which includes the borrowing from foreign governments (US\$ 9.9 billion), borrowing from international organization (US\$ 5.8 billion), buyer's credits (US\$ 2.4 billion), commercial borrowing (US\$ 14.7 billion) and other types of borrowing (US\$ 4.8 billion).²⁴ Among which, the commercial borrowing was 39% of the total external borrowing, followed by the borrowing from foreign governments, accounted 26.4% of the whole.²⁵ Furthermore, Professor Yasutami Shimomura from the Hosei University (see Figure 5-2) notes that the total net ODA that flowed to China from 1979 to 2000 was estimated US\$ 7.3 billion, which WAS about one-third of the total resource flow to China accounted US\$ 22.5 billion in the same period.²⁶ Shimomura's calculation indicates a fact that most of the capitals flowed into China did not contain a grant element of at least 25 per cent and could not be counted as ODA. These foreign capitals

²³ Central Intelligence Agency, "Foreign Investment in China: Patterns and Prospects," *Central Intelligence Agency*, May 17, 1985, <https://www.cia.gov/library/readingroom/docs/CIA-RDP85T01058R000201440001-5.pdf>

²⁴ National Bureau of Statistics of China, China Statistical Yearbook, *China Statistical Yearbooks Database*, <http://tongji.cnki.net/overseas/engnavi/HomePage.aspx?id=N2011090108&name=YINFN&floor=1>; China Trade and External Economic Statistical Yearbook, "Trade and External Economic Statistics Division of National Bureau of Statistics," *China Statistical Yearbooks Database*, <http://tongji.cnki.net/overseas/engnavi/HomePage.aspx?id=N2009100087&name=YDWJJ&floor=1>

²⁵ *Ibid.*

²⁶ Yasutami Shimomura, "Nihon no Enjo ga ASEAN no Keizai Hatten ni Oyoboshita Eikyo," (The Impacts of Japan's Aid to the ASEAN's Economic Development), eds. Takatoshi Itō et al. *ASEAN の経済発展と日本* (Tokyo: Nihon Hyoron-sha, 2004), pp. 55-56.

were OOF-related loans and credits that aimed at commerce and investment in China. In sum, China's loans combined with aid projects to the SSA were not a malicious act, but simply an appropriation of its own development experience by embracing the foreign borrowings in the past.

For China, receiving a large amount of ODA was not the best solution to drive economic development. In order to alleviate the poverty and lack of development, the OOF-related business opportunities, trade and investment and joint ventures were better options than the grant-based ODA. Providing loans and line of credits in the form of OOF to the SSA is not an attempt to set up debt traps; rather, it was based China's own experience of development in the 1980s and 1990s. To promote economic development, the SSA needs trade and investment via the driver of OOF, instead of ODA.

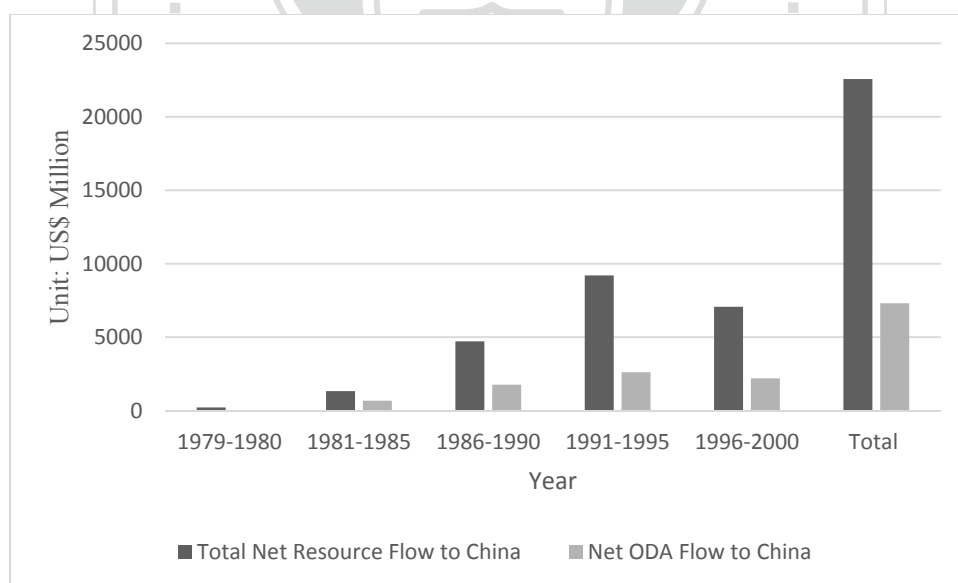


Figure 5- 2: Total Net Resource Flow to China, 1979 to 2000

Sources: Author adapted from Yasutami Shimomura, "Nihon no Enjo ga ASEAN no Keizai Hatten ni Oyoboshita Eikyo," (The Impacts of Japan's Aid to the ASEAN's Economic Development), eds. Takatoshi Itō et al. ASEAN の経済発展と日本 (Tokyo: Nihon Hyoron-sha, 2004), pp. 55-56.

5.2.4 Indebted Aid Recipients Do Not Serve the Interests of the Contracting Chinese Enterprises

Follow up with the previous discussion in Chapter Three, since the Investment Lump Sum Contracting System in 1980, the contracting agency of Chinese aid projects shall be fully responsible for the profits and losses of the aid projects. With the development of China's state-own enterprises, China's aid delivery system shifted into Contractor Accountability System in 1983, which China's enterprises become the chief contractors of China's overseas aid projects and these enterprises enjoy a full autonomy of project implementation and a responsibility of the total profits and losses. Given such circumstances, an indebted aid recipient country does not fit the best interests of China's contracting enterprises, because they are not in the recipient countries for charity works. They are there to construct infrastructure for the recipient governments for economic interests. In fact, since Zhou Enlai's Eight Principles for Economic Aid and Technical Assistance in 1964, China would take the debt burden of recipient country into consideration, because last thing China wanted is to have a recipient country to be defaulted on the loan payment.²⁷

Professor Jan S. Prybyla, a senior fellow at the Hoover Institution had mentioned a case of how China did not fulfill an aid project to Mali in 1961 due to Mali's debt problems.²⁸ China had made an agreement with Mali on March 4, 1961 to provide a Chinese loan of 4 billion Malian francs.²⁹ However, only one eighth of sum had been materialized in 1964, because of Mali's serious indebtedness.³⁰ This case of Mali also

²⁷ Zhou Enlai, "The Chinese Government's Eight Principles for Economic Aid and Technical Assistance to Other Countries," *Wilson Center*, January 15, 1964, <https://digitalarchive.wilsoncenter.org/document/121560.pdf>

²⁸ Jan S. Prybyla, "Communist China's Economic Relations with Africa 1960-1964," *Asian Survey*, Vol. 4 No. 11 (1964), p. 1137.

²⁹ *Ibid.*

³⁰ *Ibid.*

demonstrated a fact that all the pledged loans or funds would be materialized and implemented. Janet Eom, a research fellow from China Africa Research Initiative at Johns Hopkins University, finds that only 47% of the 233 total transportation projects (worth US\$ 49.8 billion) ever materialized in Africa from 2000 to 2014 and the rest turned out to be mistakes, cancellations or not in implementation.³¹ In addition, Janet Eom also finds that only 61% of 221 the total energy-orientated projects (worth US\$30 billion) have been materialized in the same period of time.³²

5.2.5 Using Commodity-Backed Loan to Alleviate the Debt Stress

Given the fact that many African countries are incapable of providing adequate financial guarantees to back and secure their loan commitments, the Export-Import Bank of China has adapted a method similar to the compensation trade and barter trade between China and Western countries. It means that despite the lack of financial guarantees, the recipient countries can make use of its natural resources as repayments for the concessional loan in exchange for the infrastructure projects, equipment and technology. Scholars call this resource-backed loans, commodity-backed loans or resource for infrastructure investment.³³ The most famous label for this kind of resource-backed loan is the Angola Model.³⁴ The Angola Model refers to a mutual beneficial cooperation between China and Angola in the case that both sides can provide what they have the most and receive what they need the most.³⁵ In the Angola

³¹ Janet Eom, “‘China Inc.’ Becomes China the Builder in Africa,” *The Diplomat*, September 29, 2016 <https://thediplomat.com/2016/09/china-inc-becomes-china-the-builder-in-africa/>

³² *Ibid.*

³³ Deborah Brautigam and Kevin P. Gallagher, “Bartering Globalization: China’s Commodity backed Finance in Africa and Latin America”; Ana Chiristina Alves, “China’s ‘win-win’ cooperation: Unpacking the impact of infrastructure-for-resources deals in Africa.”

³⁴ Vivien Foster, William Butterfield, Chuan Chen and Nataliya Pushak, *Building bridges: China’s growing role as infrastructure financier for Sub-Saharan Africa*, p. 56.

³⁵ Liviu Stelian Begu, Maria Denisa Vasilescu, Larisa Stanila, and Roxana Clodnitchi, “China-Angola Investment Model,” *Sustainability*, Vol. 10 No. 8 (2018), pp. 1-17.

Model, China is interested in Angola's oil resources whereas Angola needs infrastructure projects, capitals and investment. It reflects a complementarity between Angola and China, because China has one of the most competitive construction industries, but few natural resources, while Angola has an infrastructure deficit, but a wealth of resources.³⁶ There is no debt problems for both Angola and China, because Angola can use the abundant resources as repayments, while China can provide a package of infrastructure projects as a turnkey project for repayments to Angola. Moreover, to use resource or commodity to secure finance in Africa is not a Chinese invention, because not only China had been exporting oil for infrastructure before, but this formula was practiced by private banking institutions from Britain, France, Netherland, etc. to mitigate the risk of lending to resource-rich African governments.³⁷

Hence, the resource-backed loans or commodity-backed loan is not a malicious strategy to exploit natural resources at the expense of Africans nor to extend China's political influences. Economically speaking, it is simply a financial mechanism to secure the risks of investment and collect capitals for operation. In other words, resource-back aid projects are just like bankable projects, which have sufficient collateral and a high probability of success. If there were no collateral and nothing to balance the default risk, it would be very difficult to have enterprises go into risky areas in African countries and conduct development projects. Using goods rather than cash to purchase goods had become a widely used strategy for China to acquire goods and technologies without spending its foreign exchange, to reinforce the ties with Third World countries and to reduce the trade surpluses of developed countries.³⁸ China was

³⁶ *Ibid.*

³⁷ Ana Chiristina Alves, "China's 'Win-Win' Cooperation: Unpacking the Impact of Infrastructure-for-Resources Deals in Africa," p. 213.

³⁸ Central Intelligence Agency, "Chinese Countertrade: A Carrot or a Stick?" *Central Intelligence Agency*, December 30, 1985, <https://www.cia.gov/library/readingroom/docs/CIA-RDP04T00447R000302350001-1.pdf>

having an official unit of Compensation Trade to foster barter, compensation trade and counter-purchase when China or its trading partner could not afford a conventional trade transaction.³⁹ The U.S. Central Intelligence Agency also finds that many joint ventures and investment during 1980s were financed by compensation trade or counter purchase arrangements.

A case of cocoa-backed loans to ease Ghana's debt burden

Oil and minerals are not the only resources that could be used in commodity-backed loan, because the essence of commodity-backed loan is not all about oil or minerals, though these are critical resources to China's development. This "backing" mechanism is adapted to use government subsidized funds to lower the risks of default and encourage Chinese enterprises to go to African countries and make investment. It also aims to ease the debt stress among African countries, because they can use other things besides money to make repayments. In this case, oil and minerals are not the only goods that could be used in payment in kinds.

For instance, in the case of Ghana's 400-MW Bui hydropower plant, instead of an oil-backed investment, China and Ghana were agreed in a form of cocoa-backed investment. In 2007, Ghana and China signed an aid project agreement, which is secured by commodity to build the Bui Dam and electricity generating facility outside Accra.⁴⁰ The loan was backed by an agreement that Ghana had to use the export of cocoa beans to pay off the loan.⁴¹ China provides a total of US\$ 562 million loans to Ghana for the construction of Bui Dam (see Table 5-1). In order to secure the Chinese

³⁹ *Ibid.*

⁴⁰ Lucas Beard, "Choosing China: Ghana's \$3 Billion Loan Decision," *Leadership Academy for Development (LAD) Stanford University*, https://fsi.stanford.edu/sites/default/files/ghana_loan.pdf

⁴¹ Isaac Odoom, "Dam In, Cocoa Out; Pipes In, Oil Out: China's Engagement in Ghana's Energy Sector," *Journal of Asian and African Studies*, Vol. 52 No. 5 (2015), p.11.

loan, the Ghana Cocoa Board had made an agreement with China's Genertec International Corporation that the Chinese would buy 30,000 tonnes of cocoa per year from the Ghanaian government at current world market prices and the Ghanaian government would deposit the Cocoa revenues in an escrow account in the Export-Import Bank of China to secure the loan until the Bui Dam becomes operational and begins to earn profits.⁴² When the Bui Dam commenced full implementation and the cocoa agreement expired, 85% of the profits from the sales of energy generated by the Bui Dam will be placed in an escrow account⁴³ the Export-Import Bank of China to serve as repayment for the debt.⁴⁴

The case of Ghana's Bui Dam and cocoa-backed loans demonstrate the flexible and commercial nature of China's loan provision. It also indicates that in the case of Ghana's Bui Dam, Chinese loan is not a strategic tool of setting up debt trap, because Ghana can use the revenue generated from the Bui Dam to make repayments of the Chinese loan. In fact, in a news released from the Ghana Web, the 400-megawatt (MW) capacity Bui Dam has generated revenue of US\$335.7 million since it started operations in 2013 by the end of 2017.⁴⁵

⁴² *Ibid.*

⁴³ An escrow account is where funds are held in trust whilst two or more parties complete a transaction. It is an instrument for providing sellers and buyers financial safety upon carrying out any asset sale-purchase deal. See "Escrow account," *Expobank*, <https://www.expobank.eu/eng/left/corporations/escrow-account>

⁴⁴ Isaac Odoom, "Dam In, Cocoa Out; Pipes In, Oil Out: China's Engagement in Ghana's Energy Sector."

⁴⁵ Ghana Web, "Bui Dam Generates \$335.7 m Revenue," *Ghana Web*, December 17, 2017 <https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Bui-dam-generates-335-7m-revenue-608901>

Table 5- 1: Bui Dam’s Cocoa backed Loans from China

Financial Sources	Amount (US\$ Million)
Concessional Loan from China	263.5
Buyer’s Credits from China	298.5
Total loans from China	562
Funds from Government of Ghana	60
Additional funds from Ghana	168
Total cost	790

Source: Isaac Odoom, “Dam In, Cocoa Out; Pipes In, Oil Out: China’s Engagement in Ghana’s Energy Sector,” *Journal of Asian and African Studies*, Vol. 52 No. 5 (2015), p. 11.

A case of sesame seed-backed loans to ease Ethiopia’s debt burden

Besides the cocoa-back loans, there is also a case sesame seed-backed loan. Ethiopia is now the largest producer of sesame in the SSA and China is one of the major importer of Ethiopia's sesame seeds, accounting for 51.2% of Chinese imports of sesame.⁴⁶ Thus, the export of sesame seeds has become an access to seek finance and infrastructure from China for the Ethiopians. In 2013, China agreed to invest US\$ 3.3 billion on the Ethio-Djibouti Railway project from Sebeta in central Ethiopia to Negad Port in the Republic of Djibouti.⁴⁷ The project was jointly implemented by the China Railway Engineering Corporation and China Civil Engineering Corporation. This railway, which began its commercial operations in 2018 is the first trans-boundary and the longest electrified railway on the African continent. In return, Ethiopia used sesame seeds to repay Chinese loans.⁴⁸ In “Eastern Promises: New Data on Chinese Loan in America, 2000 to 2014,” Deborah Brautigam also confirms that Ethiopia secured a US\$

⁴⁶ Tom Levitt, “Ethiopia's sesame seed trade with China – a partnership of equals?” *Guardian News and Media*, July 10, 2013 <https://www.theguardian.com/global-development/poverty-matters/2013/jul/10/ethiopia-sesame-seed-trade-china>; Malancha Chakrabarty, “Ethiopia-China Economic Relations: A Classic Win-Win Situation?” *World Review of Political Economy*, Vol. 7 No. 2 (2016), pp. 226-248.

⁴⁷ Railynews, “China Lends US\$3.3 Billion to Ethio-Djibouti Railway Project in the Horn of Africa,” *Railynews*, <http://www.railynews.com/2013/china-lends-us3-3-billion-to-ethio-djibouti-railway-project-in-the-horn-of-africa/>

⁴⁸ Tom Levitt, “Ethiopia’s sesame seed trade with China – a partnership of equals?”

500 million line of credit with exports of sesame seeds.⁴⁹

The case of sesame seed-backed loans to Ethiopia for the construction of Ethio-Djibouti Railway project proves a fact that China's commodity-backed loans are not limited oil and minerals. Based on this method, Ethiopia can use its productive goods of sesame to secure a Chinese loan and even make repayment for the Chinese funded Ethio-Djibouti Railway project. Given this, China's loan to Ethiopia is not a debt trap, rather it is a flexible mechanism of making investment and infrastructure project become feasible and achievable.

5.3 Assessing China's Grants, Debt Cancellation and Loans

To ascertain whether China's provision of loan is a debt trap for extending China political influence, one of the basic preliminary analysis is to figure out the amount of China's grant, debt cancellation and loans. There has been a stereotype that China is providing huge loans to developing countries such as the Kiel Institute's "China's Overseas Lending" has estimated a total of US\$ 5 trillion Chinese loan from 1949 to 2017. Since China does not provide official data of Chinese loan and the statistics and information of loan figures are relatively opaque, the figures unveiled in the FOCAC documents would be employed as basic foundation of calculation. In addition, the author would adapt other data and statistics and attempt to map out the entire scale of Chinese grant, debt cancellation and loans.

The reason to investigate the amount of Chinese grant and debt cancellation is that if China is using its loan strategically as a trap for African countries, why would it also

⁴⁹ Deborah Brautigam and Jyhjong Hwang, "Eastern Promises: New Data on Chinese Loan in America, 2000 to 2014," *SAIS China-Africa Research Initiative Working Paper Series* (2016), p. 17, <https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/58ac91ede6f2e1f64a20d11a/1487704559189/eastern+promises+v4.pdf>

provide grants and debt cancellation. It is incongruous for China to give grants and cancel debts while use loans to trap the SSA with massive debts at the same time. Furthermore, commentators usually deem that China provide less grants. It is a fact that Chinese loans outweigh the grants. However, few have found out the amount of Chinese grants. How much less is Chinese grant? The amount of Chinese grant is critical when assessing whether China is using loans as a loan shark in the SSA.

5.3.1 The Visible Volume of China’s Aid Finance from FOCAC 2000 to 2018

After surveying all the major official documents and speeches from the FOCAC 2000 to FOCAC 2018 (see Table 5-2), the visible figures written in the FOCAC documents are unpacked in Table 5-3.

Table 5- 2: Official Speeches and Documents of FOCAC, 2000-2018

Year/Title	Speech	Documents
2000 First Ministerial Conference	Jiang Zemin, “China and Africa-usher in the new century together” Wen Jiabao, “Four point proposal”	Programme for China-Africa Cooperation in Economic and Social Development
2003 Second Ministerial Conference	Li Zhaoxing, “Report to the Second Ministerial Conference”	Forum on China-Africa Cooperation-Addis Ababa Action Plan (2004-2006)
2006 Beijing Summit and the 3 rd Ministerial Conference	Hu Jintao, “Speech at the opening of China-Africa summit”	Forum on China-Africa Cooperation Beijing Action Plan (2007-2009)
2009 The 4 th Ministerial Conference	Wen Jiabao, “Building the new type of China-Africa strategic partnership”	Forum on China-Africa Cooperation Sharm El Sheikh Action Plan (2010-2012)
2012 The 5 th Ministerial Conference	Hu Jintao, “Speech at opening ceremony of Fifth Ministerial Conference”	The Fifth Ministerial Conference of the Forum on China-Africa Cooperation Beijing Action Plan (2013-2015)
2015 Johannesburg Summit and the 6 th Ministerial Conference	Xi Jinping, “Open a New Era of China-Africa Win-Win Cooperation and Common Development”	The Forum on China-Africa Cooperation Johannesburg Action Plan(2016-2018)
2018 Beijing Summit of the Forum on China-Africa Cooperation	Xi Jinping, “Work Together for Common Development and a Shared Future”	Forum on China-Africa Cooperation Beijing Action Plan (2019-2021)

Source: Author adapted from Secretariat of the Chinese Follow-up Committee of the Forum on China-Africa Cooperation.

Table 5- 3: Visible Volume of China's Aid Finance in FOCAC, 2000-2018

	Grant	Debt Relief	CONC. Loan	Line of Credit	Special Loan	Funds	Donate to AU	Donate to IO	Request Enterprises to Invest
FOCAC 2000		CNY\$ 10 billion				AHRDF (opaque)			
FOCAC 2003						AHRDF (opaque)	ADF (opaque)		
FOCAC 2006	CNY\$ 300 million	Cancel debt (opaque)	US\$ 3 billion	US\$ 2 billion		US\$ 5 Billion for CADF			
FOCAC 2009	CNY\$ 500 million	Cancel 168 debts (opaque)	US\$10 billion		US\$1 billion	AHRDF (opaque)	US\$1.5 million	US\$30 million for UNFAO Trust Fund	
FOCAC 2012			US\$ 15 billion	US\$ 20 billion			CNY\$ 600 million	US\$ 2 million for UNESCO annually	
FOCAC 2015	CNY\$ 1 billion, US\$60 million, US\$5 billion	Cancel debt (opaque)	US\$35 billion		US\$ 5 billion	US\$5 billion for CADF US\$10 billion for CAPCCF CNY\$ 20 billion for CSSCF	US\$ 60 million	US\$ 2 million for UNESCO	
FOCAC 2018	CNY\$1 billion	Cancel debt (opaque)	US\$ 15 billion	US\$20 billion		US\$10 billion for special fund of Devt. US\$5 billion for special fund of Trade CAPSF (opaque)		US\$ 2 million for UNESCO	US\$10 billion

Sources: Composed by the Author from the FOCAC Documents.

Notes: Abbreviation: CONC. Loan: Concessional Loan; AHRDF: African Human Resources Development Fund; CADF: China-Africa Development Fund; CAPCCF: China-Africa production capacity cooperation Fund; CSSCF: China South-South Cooperation Fund; CAPSF: China-Africa Peace and Security Fund; ADF: African Development Fund

It is important to understand that these figures are only pledged numbers, not yet the delivered numbers of funding. There is a distance between the pledged and the

delivered. Nevertheless, we can still have a general picture of China's aid volume to the SSA based on the unveiled figures of FOCAC.

China's grant is more than commonly assumed

Although it is a fact that China provides more loans than grants, Chinese provided grant is more than people commonly assumed. It is critical to investigate China's provision of grant if we want find out whether China is trapping African countries with debts. With respect to Table 5-3, China does provide grants to African countries. These grants are in line with OECD-DAC's definition of ODA by having a grant element of at least 25% and used for the promotion of the economic development and welfare of developing countries without any of the commercial attempts. Throughout the FOCAC meetings, China has pledged a total of CNY 2 billion and 8 million grants and US\$ 5 billion and 60 million grants from 2000 to 2018. It is roughly equivalent to a total of US\$ 5.466 billion grant from 2000 to 2018. China donates about US\$ 303 million grant to Africa each year and it does not include some of the given materials and equipment for medical and humanitarian assistance as well as expenditures for dispatched Chinese experts and personnel and training courses.

If we compare China's grant as displayed in the FOCAC documents with the top DAC countries' ODA donation to African countries, it shows that China's grant is not much less than those DAC donors. The U.S. is the largest ODA donor to Africa by the year of 2016 with an annual average amount of US\$ 9.5 billion and has been ranked as top one donor in the DAC (see Table 5-4). The tenth largest donor among the DAC is Switzerland with an annual average amount of US\$ 630 million ODA disbursement (see Table 5-4). In the case of China, its averaged grant from 2014 to 2016 was roughly accounted US\$ 1.7 billion, which was even higher than Japan's averaged US\$ 1.6

billion (see Table 5-4). If we use the year of 2015 as a comparison, China pledged US\$ 5.2 billion in 2015, which was not only higher than U.K.'s US\$ 4.2 billion, but could be ranked as the second largest ODA donor on the list (see Table 5-4). Last but not least, even if we use China's averaged annual grant donation (US\$ 303 million) within these 18 years of FOCACs to compare with Switzerland's averaged donation of US\$ 630 million, the distance is not unacceptable. China's yearly ODA donation of US\$ 0.3 billion to Africa can be placed within the list of top 15 ODA donors, outweighing traditional DAC donors such as Ireland (US\$ 0.25 billion), Finland (US\$ 0.19 billion), Luxembourg (US\$ 0.12 billion), Spain (US\$ 0.09 billion), etc.⁵⁰ It is a fact that China favors loan provision more than grant, because it does not consider itself as a wealthy donor giving cash to the poor, but a partner from the Global South that seeks cooperation, exchange and benefits. However, it is also a fact that China's provision of grant is more than the common assumption, because China provides more grants to the SSA than some of the traditional DAC donors.

Table 5- 4: Comparing China's Grant to Top DAC Donors' ODA to Africa

⁵⁰ Organization for Economic Co-operation and Development, "Development Aid at a Glance: Statistic by Region, Africa," *Organization for Economic Co-operation and Development*, 2018, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Africa-Development-Aid-at-a-Glance-2018.pdf>

(Unit: US\$ Billion)

Top 10 DAC Donors and China	2015	2014-2016 Average	% of total DAC Countries
1. United States	9.3	9.5	34%
2. United Kingdom	4.2	4.1	15%
3. Germany	3	3.1	11%
4. France	2.1	2.3	8%
5. Japan	1.7	1.6	6%
6. Canada	1	1.1	4%
7. Sweden	0.87	0.94	3%
8. Norway	0.67	0.74	3%
9. Netherlands	0.63	0.68	2%
10. Switzerland	0.65	0.63	2%
China	5.2	1.7	

Source: Author adapted from the FOCAC documents and Organization for Economic Co-operation and Development, “Development Aid at a Glance: Statistic by Region, Africa,” *Organization for Economic Co-operation and Development*, 2018, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Africa-Development-Aid-at-a-Glance-2018.pdf>

China’s debt cancellation

In light of FOCAC’s official documents, China cancels debts. When critics are bombarding about the so called China’s debt-trap diplomacy, few have asked the question that if China intends to add up the debt burden among African countries and use it for political leverage, why would it simultaneously cancel the debt. Besides, the FOCAC Programme of 2000 had explicitly stated that Chinese enterprises should take “payment in kind,” a kind of bartering into account when cooperating with African partners, so that their financial burden could be lessened.⁵¹ In addition, the resource-backed investment is a type of “payment in kind” cooperation. A variety of agricultural products and manufactured products can also be used as payment in kind to alleviate the financial burden while securitizing the benefits of Chinese enterprises.

Regarding China’s debt relief, the FOCAC documents indicate that China has pledged to cancel African countries’ debts five times from 2000 to 2018. However, the actual figure of debt relief has not been unveiled in FOCAC except for cancellation of

⁵¹ Ministry of Foreign Affairs, the People's Republic of China, “Programme for China-Africa Cooperation in Economic and Social Development.”

CNY10 billion debt in 2000 (see Table 5-3). Hence, three research projects would be adapted for mapping out the scale of China's debt relief. The first calculation is solicited from Deborah Brautigam's *The Dragon's Gift: The Real Story of China in Africa* published in 2009.⁵² Second source adapts from a 2019 report issued by *Development Reimagined*, which is an African-led think-tank.⁵³ African expert, Ambassador David H. Shinn had cited this source in his online blog.⁵⁴ The third source is drawn from *Center for Global Development*, which has been closely working with the USAID.⁵⁵ It is assumed that both *Development Reimagined* and *Center for Global Development* are using AidData, a research lab at William & Mary's Global Research Institute for estimation, while Deborah Brautigam was based on her own research.

Since the calculation of *Development Reimagined* (DR) is close to the estimation of *Center for Global Development* (CGD), it implies that both estimations are plausible (see Table 5-5). The largest amount of debt relief took place in 2007. DR estimates US\$ 838 million and CGD estimates US\$ 848 million. Averagely speaking, China has cancelled 90 debts from 2000 to 2019 according to the calculation of DR and CGD. This proves again that the pledged numbers of debt reliefs are not equivalent to the actual cancelled debts, because the FOCAC document of 2009 stated to cancel 168 debts⁵⁶ while both DR and CGD suggest that the total cancelled debts were around 90 throughout these 19 years. Furthermore, *Development Reimagined* estimated that the

⁵² Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa*, p.170.

⁵³ *Development Reimagined*, "China: Debt Cancellation," *Development Reimagined*, April 17, 2019, <https://developmentreimagined.com/wp-content/uploads/2019/04/final-doc-china-debt-cancellation-dr-final.pdf>

⁵⁴ Amb. David H. Shinn, "China's Debt Cancellation," *Amb. David H. Shinn Blog*, May 6, 2019, <http://davidshinn.blogspot.com/2019/05/chinas-debt-cancellation.html>

⁵⁵ John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," *CGD Policy Paper* No. 121, (Washington DC: Center for Global Development, 2018), pp. 28-31.

⁵⁶ Wen Jiabao stated that China plans to cancel 168 debts owed by 33 African countries. See Wen Jiabao, "Speech by H.E. Wen Jiabao at the Opening Ceremony of the 4th Ministerial Conference of the Forum on China-Africa Cooperation," *Ministry of Foreign Affairs, the People's Republic of China* November 10, 2009, <https://www.fmprc.gov.cn/zflt/eng/dsjbzjhy/zyjh/t627391.htm>

total amount of China's cancelled debts from 2000 to 2019 were accounted US\$ 3.7 billion. In addition, the *Center for Global Development* estimates a total cancelled volume of US\$ 8.9 billion in the same period of time. The later volume was two times larger than the former volume.

Table 5- 5: The Volume of China's Debt Cancellation, 2000-2019

	Brautigam's Calculation of China's Debt Relief for Africa	Development Reimagined Think-Tank's Calculation of China's Debt Relief in Total		Center for Global Development's Calculation of China's Debt Relief in Total	
	Amount (US\$ Million)	Number of Cancelled Debts	Amount (US\$ Million)	Number of Cancelled Debts	Amount (US\$ Million)
2000		1	5	1	5
2001	375	20	577	18	632
2002	375	7	435	6	433
2003	375	9	222	8	203
2004	375	1	18	1	17.9
2005	375	3	48	3	48
2006	375	8	337	8	318.6
2007	375	25	838	24	848.5
2008	375	3	514	3	14
2009	375				
2010		6	267	5	271
2011		6	212	4	6119
2012		1	16	1	16
2013			0		
2014			0	1	
2015			0		
2016		1	90		
2017		3	77	1	1
2019		2	95		

Sources: Author adapted from Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (New York: Oxford University Press, 2009): 170; Development Reimagined, "China: Debt Cancellation," *Development Reimagined*, April 17, 2019, <https://developmentreimagined.com/wp-content/uploads/2019/04/final-doc-china-debt-cancellation-dr-final.pdf>; John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," *CGD Policy Paper* No. 121, (Washington DC: Center for Global Development, 2018), p. 28-31.

There is still room for improvement

To compare China with the traditional DAC donor countries in terms of debt cancellation, we would find out that although China's debt cancellation program has a lot to catch up, it is in line with the top 15 debt-relief grant providers of the DAC community. More importantly, China's debt relief data should be disclosed, so that

researchers can understand better about China's efforts on bilateral debt relief. Due to the opaque information about the debt relief figures of China, statistics show a contested situation. Table 5-6 illustrates that the U.S. had cancelled the largest amount of debt in heavily indebted poor countries (HIPC), accounted US\$ 4 billion. Finland in 2005 had cancelled US\$ 150 million of debt and ranked as the 12th largest debt-relief grant provider. China, on the other hand, had cancelled US\$ 48 million in 2005, which could be ranked as the 14th largest debt-relief grant provider in this list. However, if we use the data provided by the *Development Reimagined*, the averaged amount of China's debt cancellation from 2000 to 2010 is accounted US\$ 279 million, which could ranked as the 11th largest debt-relief provider on the list of 2005. In light of the estimation of *Development Reimagined* indicated in the Table 5-6, France has provided the largest debt relief accounted US\$ 5.1 billion from 1998 to 2015, followed by Japan with a cancelled debt figure of US\$ 3.9 billion in the same period. Surprisingly, China is ranking the fifth place on the list with a cancelled debt amount of US\$ 1.7 billion from 1998 to 2015.

There is an obvious incongruity between these two calculations. For instance, the DAC document states that the U.S. had cancelled US\$ 4 billion of debt in 2005. However, the *Development Reimagined's* report claims that the U.S. has cancelled a total of US\$ 2.3 billion from 1998 to 2015. Despite the incongruous volume between the DAC' calculation and *Development Reimagined's* calculation (see Table 5-6), both of the statistics share a common finding that China has been contributing to the global debt solution by cancelling debts and making itself on the list of top 15 debt relief providers or top 5 debt relief providers.

Despite that there is a room for improvement about China's debt forgiveness

compared to the traditional DAC donors, China is making efforts to alleviate the debt burden among the African countries. The volume might not be comparable with the DAC countries, but the intention is recognizable. In addition, China believes in the resource-backed or commodity-backed mechanism as alternative to make an aid project deal with African recipient. In the previous cases of Ghana and Ethiopia, they can use their productive agricultural goods to secure the loans and once the infrastructure is completed, they can use the revenue generated from the infrastructure to make repayments on the loans. In this sense, the claim about China is using loans and debt to trap African countries and weaken their sovereignty shall need more evidence to prove that it is a reality.

Table 5- 6: Comparing China’s Bilateral Debt Relief with Selected DAC Donors
(Unit: US\$ Million)

Period Ranking	OECD-DAC (Unit: USSM)		Development Reimagined Think-Tank (Unit: USSM)	
	Country	Debt Relief Amount	Country	Debt Relief Amount
1	U.S.	4078	France	5192
2	U.K.	3225	Japan	3984
3	Germany	3441	U.S.	2328
4	Japan	3553	Germany	2189
5	France	3199	China	1728
6	Italy	1670	U.K.	848
7	Austria	904		
8	Spain	613		
9	Belgium	472		
10	Canada	455		
11	Switzerland	224		
12	Finland	150		
13	Sweden	53		
14	Australia	20		
15	Portugal	3		
	China	48		

Sources: Organization for Economic Co-operation and Development, “Final ODA Data for 2005,” *OECD Data*, <https://www.oecd.org/dac/stats/37790990.pdf>; Development Reimagined, “China: Debt Cancellation,” *Development Reimagined*, April 17, 2019, <https://developmentreimagined.com/wp-content/uploads/2019/04/final-doc-china-debt-cancellation-dr-final.pdf>

5.3.2 The Overestimated Chinese Loan: A Case of the Kiel Institute's Assessment

By citing a study report issued by German Think-Tank Kiel Institute for the World Economy in 2019, Big Think, a weekly newsletter web agency released a news report on July 18, 2019 and claimed that China's overseas lending, "which was virtually zero before the turn of the century — well, about US\$ 500 billion in 2000 — stands today, ostensibly, at around US\$5 trillion."⁵⁷ The news report goes even further and said that China is the world's largest creditor, being twice as large as both the World Bank and the International Monetary Fund, combined.⁵⁸ *The Economist* also cited the same source from the Kiel's report and asserted that China's loan is huge and nearly half of China's credit is hidden.⁵⁹

Indeed, Kiel Institute for the World Economy, an independent, non-profit economic research institute based in Kiel, Germany has made several bold statements about China's massive overseas lending as the following.⁶⁰ First, it states that almost all of China's overseas lending and investment is official. Second, Sebastian Horn, Carmen Reinhart and Christoph Trebesch suggest that there is a total of 1,974 Chinese loans and 2,947 Chinese grants to 152 emerging or developing countries from 1949 to 2017 and the total value is amounted US\$530 billion. Third, Sebastian Horn et al. find that about 50% of China's lending is "hidden," which have grown to more than US\$ 200 billion as of 2016. Fourth, the Kiel report claims that China holds more than US\$ 5 trillion of debt towards the rest of the world up from less than US\$ 500 billion in the early 2000s.

⁵⁷ Mike Colagrossi, "New Study Uncovers China's Massive Hidden Lending to Poor Countries," *Big Think* July 18, 2019, <https://bigthink.com/politics-current-affairs/china-loans>

⁵⁸ *Ibid.*

⁵⁹ *The Economist*, "A New Study Tracks the Surge in Chinese Loans to Poor Countries," *The Economist* July 13, 2019, <https://www.economist.com/finance-and-economics/2019/07/13/a-new-study-tracks-the-surge-in-chinese-loans-to-poor-countries>

⁶⁰ Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending."

Fifth, the Kiel report accounts that among all the China's overseas loans, the interest-free loan is amounted 0.20%, followed by a 15.8% of the concessional loan and the highest proportion is China's commercial loan, which is amounted 59.6%. In short, the Kiel report suggests that China has become a "dominant" player in the international financial system in the past two decades.

Casting doubts on the Kiel Institute's estimation

Regardless of the fact that China's Official Reserve Assets amounted in 2018 was totaled US\$ 3.2 trillion,⁶¹ the Kiel Institute's estimation claiming that China has held more than US\$ 5 trillion of debt towards the rest of the world from a stage of US\$ 500 billion of debt in the early 2000s and China's overseas loans and grants are totaled US\$530 billion is indeed questionable.⁶² Even though China's loan policy was implemented in the 1995, it was not until the year of 2000 that the provision of Chinese loan took off at a rapid speed. However, even if China's loan provision was expanded rapidly in the 2000s, there is still a gap if we compare the Kiel's Institute's estimation of a total of US\$ 500 billion of China's overseas lending in the year of 2000⁶³ and the statistics published by the Export-Import Bank of China in the same year.

Figure 5-3 displays China's outstanding balance of loan from 1994 to 2007. The outstanding balance of loan is the unpaid, interest-bearing balance of a loan over a period of time. In other words, these were the volume of the borrowed but yet unpaid money from the Export-Import Bank of China, which was the only competent policy bank for the provision of Chinese loan. Based on the unpaid amount of the borrowed loan from China's Export-Import Bank, we can speculate the volume of the provided

⁶¹ "China's Official reserve assets of 2018," *The State Administration of Foreign Exchange*.

⁶² Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending."

⁶³ *Ibid.*

concessional loan from 1994 to 2007.

In 1994, the remaining amount of the unpaid loan was accounted CNY 2 billion and it soon accumulated to a total of CNY 14.5 billion in 1996 (see Figure 5-3). In 2000, the Export-Import Bank of China's loan balance was totaled CNY 56.9 billion and it reached an amount of more than CNY 100 billion in 2003 (see Figure 5-3). In 2005, the Export-Import Bank of China's outstanding balance of loan was accounted CNY 176 billion and followed by a total of CNY 321.1 billion in 2007 (Figure 5-3).

Compared to the Kiel's estimation of a total of US\$ 500 billion of China's overseas lending in 2000,⁶⁴ the figure of Export-Import Bank of China displays a total of outstanding balance of loan amounted CNY 56.9 billion in 2000. There is a gap between the claimed overseas lending amounted US\$ 500 billion in 2000 from the Kiel and the outstanding balance of loan amounted CNY 56.9 billion in 2000 issued by the Export-Import Bank of China, because CNY 56.9 billion was less than US\$ 10 billion. If the Kiel's estimation were true that China had given US\$ 500 billion loans in the year of 2000, it means China had collected US\$ 490 billion of repayments in 2000 and left US\$ 10 billion as unpaid volume of loan. Based on this incongruity, Kiel Institute's estimation remains doubtful and might not represent the reality.

⁶⁴ Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending," *KIEL Working Paper* No. 2132 (2019), https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/Christoph_Trebesch/KWP_2132.pdf

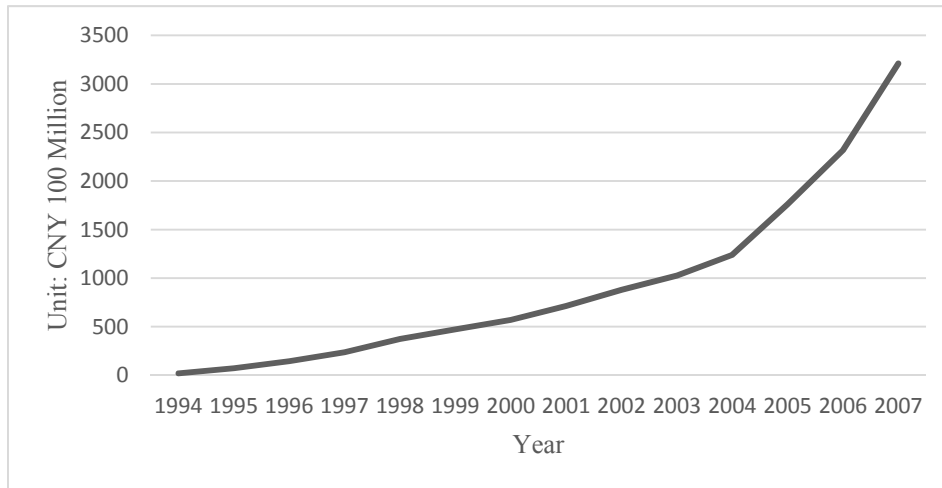


Figure 5- 3: China Exim Bank's Outstanding Balance of Loan, 1994 -2007

Source: 中國進出口銀行，《中國進出口銀行年度報告》，（北京：中國進出口銀行，2009年），頁 21，http://www.eximbank.gov.cn/tm/report/index_27_14065.html

Mixing the ODA (grants) and OOF (loans)?

Despite such a bold statement asserting that China has held more than US\$ 5 trillion of debt towards the rest of the world from a stage of less than US\$ 500 billion in the early 2000s and China's overseas loans and grants are totaled US\$530 billion, the Kiel's report does not publish the specific data, figures and statistics. More importantly, in regard of the figure of US\$530 billion, the authors of the report, Sebastian Horn et al. calculated both loan and grant⁶⁵ as if they are counting the total value of Chinese aid including both ODA and OOF, instead of the Chinese loan only. Hence, the number of US\$530 billion does not represent the volume of Chinese overseas lending, because it contains Chinese overseas grants.

Is the total volume of Chinese loan larger than the total volume of China's foreign ODA and OOF?

Even if the Kiel's report is asserting that the total Chinese loan and grant volumes

⁶⁵ *Ibid.* p. 9.

from 1949 to 2017 is amounted US\$ 530 billion, there is a gap between the Kiel's estimation and other statistics (see Table 5-7). The author adapts three sets of data from Yu-hui Zhang, a research fellow at the International Strategic Research Center of the Party School of the Central Committee of the Communist Party of China, Professor Teh-Chang Lin, an expert of Chinese aid at National Sun Yat-sen University and AidData, a research lab located at the College of William & Mary and finds that the total volume of China's foreign aid from 1950 to 2014 is accounted US\$ 367.7 billion as displayed in Table 5-7. There is a gap of US\$ 163 billion between the Kiel's report's estimation (US\$ 530 billion) and the statistics demonstrated in the Table 5-7 (US\$ 367.7 billion). In view of the Table 5-7, China's foreign aid has been soaring since the year of 2000. The total Chinese aid (including loan and credit) from 2000 to 2014 is amounted US\$ 354 billion, which deviates from the narrative of the Kiel's report that China's overseas lending was about US\$ 500 billion in 2000 and increased to a total of US\$5 trillion in 2019. As a result, China's loan has been overestimated in the Kiel Institute's "China's Overseas Lending."

Table 5- 7: China's Total Foreign Aid Volume (both ODA and OOF), 1950-2014

Year	Yu-Hui Zhang (CNY\$100 M)	Year	Teh-Chang Lin 1979-1992 (US\$M) & Yu-Hui Zhang 1993-1999 (CNY\$ 100M)	Year	AidData (Unit: US\$ B)
1950-		1979	275	2000	2.6
1952	2.2				
1953	2.9	1980	198	2001	5.4
1954	4.2	1981	41	2002	5.5
1955	3.3	1982	80	2003	6.2
1956	3.7	1983	114	2004	6.5
1957	3	1984	467	2005	9.6
1958	2.5	1985	248	2006	18.7
1959	3.3	1986	303	2007	18.5
1960	1.4	1987	272	2008	12.8
1961	4.4	1988	64	2009	69.6
1962	6.2	1989	223	2010	30.6
1963	11	1990	374	2011	52.7
1964	12	1991	302	2012	41.7
1965	18	1992	345	2013	36.7
1966	20	1993	18.5	2014	37.3
1967	19	1994	28.6		
1968	20.5	1995	29		
1969	21.9	1996	32		
1970	24	1997	35		
1971	36	1998	37		
1972	47.8	1999	39		
1973	55.8				
1974	47.7				
1975	42				
1976	28				
1977	21				
1978	17				
Total	478.8				
Total					
in					
US\$	6.9		6.4		354.4
Billion					

Sources: The author adapted from 張郁慧,「中國對外援助研究」(北京, 中共中央黨校博士論文, 2006年), 頁 165-166; Teh-Chang Lin, "Beijing's Foreign Aid Policy in the 1990s: Continuity and Change," *Issues and Studies* Vol.32 No.1 (1996), p. 39; Aiddata, "China's Global Development Footprint," *Aiddata* (2019/3/15), <https://www.aiddata.org/china-official-finance#first-panel>

5.3.3 How Much Overseas Loan does China Provide?

China's loan provision is larger than grants in its foreign aid package and it is entangled with commercial orientated activities, making Chinese aid deviated from the strict definition of ODA, which should carry a grant element of 25% and exclude any of the commercial agenda. In recent years, commentators often claim that China is providing huge aid to African countries. However, few have carefully examine the nature of Chinese aid. If the definition of Chinese "aid" is in line with the DAC's

definition of ODA, China's aid is not huge, because China's provision of grant does not outweigh the ODA of the U.S. or the U.K. Nevertheless, is China acting like a loan shark and providing huge loans to the SSA and lure the recipient countries into a debt trap? Is China intentionally making aid recipient countries falling into a serious debt burden via massive Chinese loans so that China can extend its political influence by weakening the sovereignty of the recipient country? To unpack these questions, it is necessary to figure out the volume of Chinese loans.

Four types of Chinese loans

In compliance with the FOCAC documents (see Table 5-2), there are four types of Chinese loans (see Table 5-3). First is the interest-free loan, which is often the target of China's debt cancellation. The targeted loan for China's debt relief program is always about the matured interest-free loans, not concessional loan or special loan for trading promotion as shown in FOCAC documents. Second type of loan is the concessional loan, which has been greatly applied for contracted projects, infrastructure construction and completed sets of projects. The interest rate for concessional loan is 2% to 3% with a term between 10-20 years (including the grace period).⁶⁶ Third type of loan is the line of credit, which is often used to stimulate the export and import of trade. Preferential buyer's credits and export credit are the usual model for enhancing China's exports, so that construction materials, set of equipment, machines, tools, etc. can be easily exported from China to the recipient country and complete the contracted project. The fourth type of loan is the special loan that used to support the small and medium-sized of African businesses. Since the FOCAC documents did not mention about the concessional terms of interest rate for special loans, it is assumed that it could be in line

⁶⁶黃梅波，〈中國政府對外優惠貸款的發展歷程與前景〉，《國際經濟合作》，2010年第11期，頁48-53。

with the market interest rate. That means these special loans might not be concessional, but commercial. Among these loans, concessional loan and line of credit are the prevailing models, because infrastructure and contracted projects including natural resource development, energy and power, transportation, telecommunication and agricultural development are key areas of Sino-Africa cooperation. The special loan provision for trade stimulation were only announced twice in FOCAC 2009 (US\$1billion) and FOCAC 2015 (US\$ 5 billion) respectively (see Table 5-3).

Calculating the volume of Chinese loan based on the FOCAC documents

By adding up the mentioned figures in the FOCAC documents from 2000 to 2018 (see Table 5-3), the total volume for the pledged concessional loan is accounted US\$ 78 billion, the pledged credit loan is totaled US\$ 42 billion and the promised special loan is totaled US\$ 6 billion. In sum, the total pledged China loan to African countries from 2000 to 2018 in FOCAC documents is accounted US\$ 126 billion (see Table 5-3). More importantly, there is always a gap between the pledged numbers of loans and the materialized numbers of loans. It means that the actual materialized Chinese loans to the SSA should be less than the pledged figure of US\$ 126 billion.

If we incorporate other statistics of Chinese loans for comparison, it is found that the loan figures solicited from the FOCAC documents are quite reliable. Table 5-8 shows a comparison of 5 pieces of China's overseas loan statistics. First data is taken from the FOCAC documents. Second data is solicited from the CARI data at the Johns Hopkins University School and collected by the team led by Deborah Brautigam. The third data is also taken from the CARI data, but only counts on the lending of the China Exim Bank, China Development Bank (CDB) and other Chinese banks. The fourth data is collected from Naohiro Kitano, a senior research fellow of foreign aid from JICA

Research Institute. The last data is adapted from World Education News & Reviews (WENR), a nonprofit organization that studies international education. Among these five pieces of data, the highest calculation of China's overseas loan is claimed by the CARI data with a totaled number of US\$ 144 billion from 2000 to 2017. CARI data's estimation is not far from the figures taken from the FOCAC documents (US\$ 126 billion displayed in Table 5-3). Naohiro Kitano's estimation is the most modest figure (US\$ 58.8 billion). Given that Kitano's estimation only covers the period from 2001 to 2016, it does not include the concessional loan of US\$ 15 billion and line of credit of US\$ 20 billion announced in the FOCAC 2018. Thus, the gap between FOCAC's loan figure and Kitano's estimation is roughly about US\$ 32 billion. This indicates that the FOCAC documents are plausible in comparison with other statistics. The WENR's data is very similar to the CARI data with a total of US\$ 140 billion. Therefore, both of the FOCAC's released volume of loans and CARI data are reliable for academic analysis. China's overseas loan from 2000 to 2018 amounted between US\$ 126 billion to US\$ 144 billion

To sum up, the total volume of China's overseas loan is amounted from a range of US\$ 126 billion to US\$ 144 billion. The average number of this range is US\$ 135 billion, which is far away from the Kiel Institute's estimation of US\$ 500 billion in 2000, US\$ 530 billion of grants and loan or even US\$5 trillion in 2019. China's overseas loan seems to be overestimated and resulted a misdiagnosed analysis of China's intention, interests and strategy that lead to a constructed public fear and anxiety about China's rise and outreaching development cooperation. China's overseas loan is not huge and massive. It is used to stimulate aid projects with trade, commerce and investment. Given that the African Development Bank (AfDB) has estimated that the African Continent's

infrastructure needs US\$ 130-US\$179 billion a year to develop infrastructure with a financing gap in a range from US\$ 68 billion to US\$ 108 billion,⁶⁷ China's overseas loans would be one of the sources for the African governments to adapt.

Table 5- 8: The Volume of China's Loan to the SSA, 2000-2018

(Unit: US\$ Billion)

Year	FOCAC Documents (Table 5.3)	CARI Data	CARI Data: By Lenders of Eximbank, CDB and Other Chinese Bank	Naohiro Kitano's Calculation (Loan and Credits)	World Education News & Reviews (WENR)
2000		0.1	0.1		0.13
2001		0.3	0.2	0.1	0.31
2002		1	0.6	0.1	0.75
2003		2	1.6	0.6	1.71
2004		1	0.9	0.5	1.02
2005		2	1.8	0.5	1.86
2006	5	5	4.5	0.6	4.53
2007		6	5.9	1.5	5.92
2008		4	3.9	1.6	4.47
2009	11	6	6.3	2	6.41
2010		7	6	4	6.75
2011		10	9.9	5.8	9.57
2012	35	13	10	6.7	13
2013		18	16.7	7.1	18
2014		15	13	8.2	14.5
2015	40	13	11.7	9.3	12.7
2016		30		10.2	30
2017		11			10.9
2018	35				
TOTAL (Duration)	126 (2000-18)	144 (2000-17)	93.1 (2000-15)	58.8 (2001-16)	142.5 (2000-17)

Sources: Author adapted from FOCAC Documents; Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang, "China-Africa Economic Bulletin No.1: Challenges of and opportunities from the commodity price slump," (Washington DC: China Africa Research Initiative (CARI), Johns Hopkins University School of Advanced International Studies, 2017), <http://www.sais-cari.org/data-chinese-loans-to-africa>; Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang, "China-Africa Economic Bulletin No.1: Challenges of and opportunities from the commodity price slump"; Naohiro Kitano, "Estimating China's Foreign Aid Using New Data: 2015-2016 Preliminary Figures- Contribution to AIIB significantly increased China's aid volume," *JICA Research Institute*, May 31, 2018, https://www.jica.go.jp/jica-ri/publication/other/175nbg00000puwc6-att/20180531_01.pdf; Stefan Trines, "New Benefactors? How China and India are Influencing Education in Africa," *World Education News & Reviews (WENR)* April 30, 2019, <https://wenr.wes.org/2019/04/how-china-and-india-are-influencing-education-in-africa>

⁶⁷ African Development Bank, "African Economic Outlook 2018," *African Development Bank*, January 16, 2018, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_-_EN_Chapter3.pdf

5.4 Who Owns Africa's Debt?

When Western commentators are criticizing the SSA's debt to China, they often ignore that fact that the DAC countries, the IMF, World Bank, etc. have played a part in the indebted situation of the SSA since the 1970s with the neo-liberal measures of reforms.⁶⁸ Is China the largest creditor of the SSA? Is China the main cause of the debt problems of the SSA? Is China deliberately set up debt traps for the African recipients of Chinese loans? These are critical questions to probe when investigating whether China's foreign aid to the SSA is a form of debt trap?

5.4.1 The Sub-Saharan Africa's Debt Burden

African countries' debt problems derived from the 1970s, which was long before China's economic reform and open up policy in 1978 and Wu Yi's Grand Strategy of Economy and Trade to combine Chinese aid and concessional loan in 1994. Africa's debt problem was triggered when those low and middle income countries started to borrow money from the banks of the developed countries as well as international organizations in the 1970s and failed to make repayments in the 1980s.⁶⁹ China was one of these developing countries that tried to take advantages of the international resources in the late 1970s and 1980s. Trading models of compensation trade, payment in kind and bartering were highly used between China and foreign creditors. Likewise, the barter system did improved the term of trade among some of the oil exporting African countries, such as Angola, Nigeria, Congo, and Cabon.⁷⁰ However, the export

⁶⁸ Lawrence Freeman, "Who Owns Africa's Debt: China or Western Nations & Institutions?" *Africa and the World*, July 18, 2018, <https://lawrencefreemanafricaandtheworld.com/2018/07/18/who-owns-africas-debt-china-or-western-nations-institutions/>

⁶⁹ A. Geske Dijkstra, *The Impact of International Debt Relief* (New York: Routledge, 2008), p. 13.

⁷⁰ David Kenneth Fieldhouse, *Black Africa 1945-1980: Economic Decolonization and Arrested Development* (New York: Routledge, 2011), pp. 104-107.

revenue was not for every African country or any sector, because almost all African commodities had to face overseas protectionism and tariffs, except raw materials.⁷¹ What's worse, African production on a per capita basis did not keep up with the inflow of international capitals and resources and the average rate of Gross National Product (GNP) per capital was 1.6% from 1960 to 1979, resulting a dependency on foreign borrowing and a lack of domestic productivity.⁷² Since then, the debt burden has been exacerbating. The average total of debt from 1970 to 2002 was accounted US\$ 210 billion, followed by a double figure of US\$ 405 billion in 2014 (see Figure 5-4). In 2016, SSA's external debt stock was totaled US\$ 455 billion (see Figure 5-4). Is this all because of China's foreign aid to the SSA?

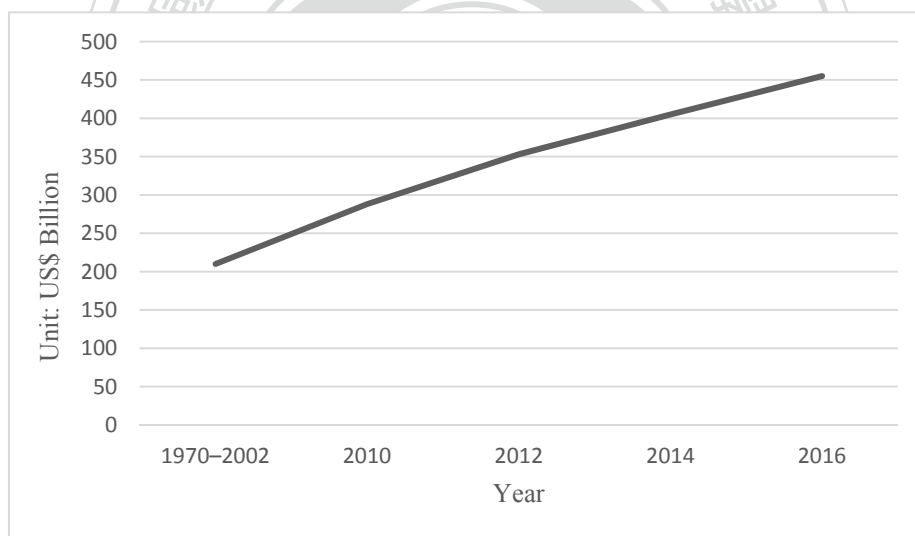


Figure 5- 4: Sub-Saharan Africa's External Debt Stock, 1970 to 2016

Sources: United Nations, "Debt Sustainability: Oasis or Mirage?" *The United Nations Conference on Trade and Development*, 2004, https://unctad.org/en/Docs/gdsafrica20041_en.pdf; The World Bank, "International Debt Statistics," *The World Bank Debt Data*, 2019, <https://datatopics.worldbank.org/debt/ids/region/SSA#>

⁷¹ *Ibid.*

⁷² David Kenneth Fieldhouse, *Black Africa 1945-1980: Economic Decolonization and Arrested Development*, p. 108.

5.4.2 The Creditors' Share

In terms of the creditors' share of African countries' external debt (see Table 5-9), the SSA's external debt is not mainly caused by bilateral relations, because multilateral creditors are also big players, followed by a rising role of private creditors. The bilateral creditors were responsible for an average of 50% of lending in the 1980 and 1990 (see Table 5-9). However, the latest statistics displayed that the bilateral share of lending has been declined to 32% in 2016 (see Table 5-9). On the other hand, the multilateral share of lending from World Bank, IMF and other multilateral institutes was accounted an average of 29% in 1980 and 33% in 1990 respectively (see Table 5-9). However, it increased to an amount of 36% share of lending in 2016. Private creditors are also contributing to Africa debt problem by sharing an average amount of 21% in the 1980, 12% in the 1990 and 32% in the 2016 (see Table 5-9). The Jubilee Debt Campaign also finds that 20% of African government's external debt is owed to China, 32% of African government's external debt is owed to private lenders, and 35% of African government's external debt is owed to multilateral institutions.⁷³ Based on this share of bilateral, multilateral and private creditors, it is not plausible to criticize China for the entire debt burden among the African countries, because China is the largest creditor or the only creditor in the SSA. China certainly is involved in the rising debt pressure among African countries; however, it requires more research to claim that China is intentionally setting up debt traps to extend its political influence in the SSA.

⁷³ Jubilee Debt Campaign, "Africa's Growing Debt Crisis: Who is the Debt Owed to?" *Jubilee Debt Campaign UK*, 2018, https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Who-is-Africa-debt-owed-to_10.18.pdf

Table 5- 9: Share of Creditors in African Countries' External Debt

Countries	Bilateral			Multilateral			Private		
	1980	1990	2016	1980	1990	2016	1980	1990	2016
Mozambique	34%	74%		65%	11%		1%	15%	
Tanzania	75%	58%		17%	34%		8%	8%	
Uganda	40%	26%		15%	59%		45%	15%	
Zambia	51%	59%		19%	31%		30%	10%	
% of All African Governments			32%			36%			32%

Sources: Author adapted from A. Geske Dijkstra, *The Impact of International Debt Relief* (New York: Routledge, 2008), p. 20; Jubilee Debt Campaign, "Africa's growing debt crisis: Who is the debt owed to?" Jubilee Debt Campaign UK, 2018, https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Who-is-Africa-debt-owed-to_10.18.pdf

To sum up, Africa's debt problem has historical roots in the 1970s and 1980s and the lack of capacity to increase the domestic productivity and economic growth. In terms of creditors' sharing, bilateral creditors share 32% of the debt, whereas multilateral creditors share 36% and private creditors share 32% according to the latest research. China is part of the reason that adds up the debt pressure among African countries. However, it is not the main cause of the SSA's rising debt pressure. More importantly, China has been cancelling the debts among African countries and building infrastructures that could generate economic growth and lower the transportation cost in the SSA since most of the Chinese loans are provided for infrastructure projects in the SSA and these infrastructure could generate economic benefits and further reinforce the debt-servicing capacity. Take the Chinese founded Bui hydroelectric dam in Ghana for instance, China provided a total of US\$ 562 million loans to Ghana for the construction of Bui dam and the dam increases 22% of the electricity capacity in Ghana and develops an irrigation of high-yield crops on 30,000 hectares of fertile land.⁷⁴ More importantly, African government can always decline the loan deals during the negotiation with the Chinese. African policy makers were not forced to sign the loan

⁷⁴ "Bui Hydroelectric Power dam Project in Ghana," *EJOLT (Environmental Justice Organizations, Liabilities and Trade)*, July 20, 2015, <http://www.ejolt.org/wordpress/wp-content/uploads/2015/07/FS-25.pdf>

agreements with China. Although China is not innocent and it has lots of room to improve on the aid agreements, transparency, etc., to blame China for the entire debt problems of the SSA does not seem persuasive.

5.5 Accessing Top African Borrowers of Chinese Loans and Their Indebted Conditions

Given the fact that China's "debt trap" has been the most heated topic in the year of 2018,⁷⁵ the author would use data and statistics to investigate whether the top African borrowers of Chinese loans are trapped in a serious indebted situation by China.

5.5.1 The Top 10 African Borrowers of Chinese Loans

The top ten African borrowers from China's loan from 2000 to 2017 are Angola (US\$ 42.8 billion), Ethiopia (US\$13.7 billion), Kenya (US\$9.8 billion), Republic of Congo (US\$ 7 billion), Sudan (US\$ 6 billion), Zambia (US\$ 6 billion), Cameroon (US\$5.5 billion), Nigeria (US\$ 4.8 billion), South Africa (US\$ 3.7 billion), and Ghana (US\$ 3.4 billion) as depicted in Figure 5-5. Among these top ten African borrowers of China, eight of them are considered middle-income countries, including Angola, Kenya, Sudan, Zambia, Cameroon, Nigeria, South Africa and Ghana and two of them are viewed as low-income countries, including Ethiopia, Republic of Congo.⁷⁶ This indicates that China is not aiming at low-income African countries for the leverage of massive loan provision. If China wants effectively leverage massive debt for its extended political influence as in a form of neo-colonialism, China should highlight

⁷⁵ Eric Olander and Cobus van Staden, "2018 China-Africa Year in Review," *The China Africa Project*, 2018, <https://chinaafricaproject.com/podcast-china-africa-year-in-review/>

⁷⁶ World Bank, "International DEBT Statistics 2019," *International Bank for Reconstruction and Development / The World Bank*, (2018), p. 79, <https://doi.org/10.1596/IDS2019>

those low-income African countries as priorities of Chinese loan recipients. However, among the top 10 African borrowers, eight of them are no low-income countries. There is also South Africa on the list. It indicates that China does not want to target the weak African countries for increasing their debts.

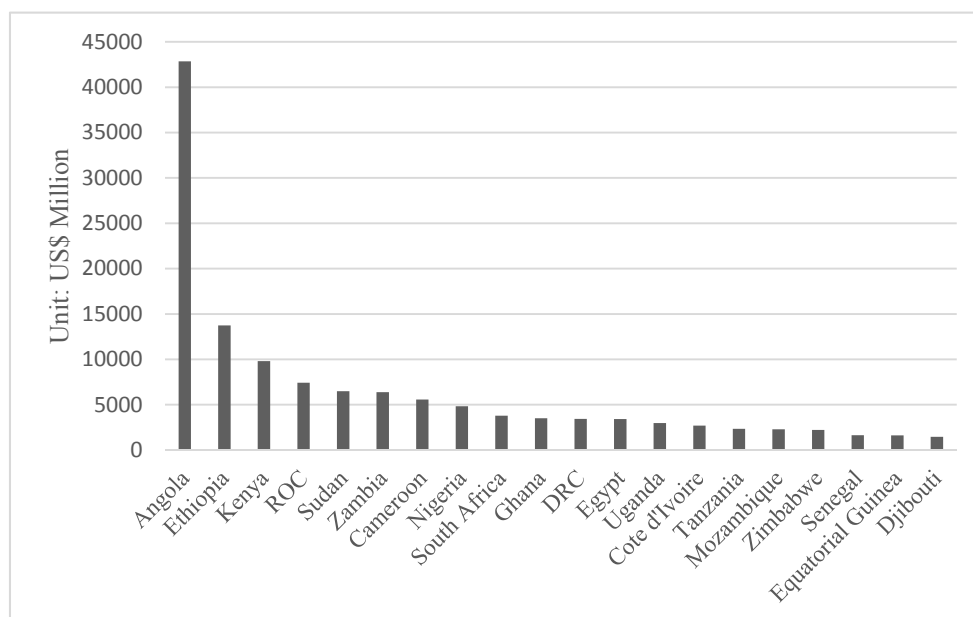


Figure 5- 5: Top 20 African Borrowers of China, 2000-2017

Sources: Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang, "China-Africa Economic Bulletin No.1: Challenges of and opportunities from the commodity price slump," (Washington DC: China Africa Research Initiative (CARI), Johns Hopkins University School of Advanced International Studies, 2017), <http://www.sais-cari.org/data-chinese-loans-to-africa>

5.5.2 Analyzing the Indebted Situation of the Top 10 African Borrowers

With respect to Table 5-10 showing the economic performance and debt situation among the top ten African borrowers of Chinese loan, China does not have the intention to target on the most venerable African countries and leverage the so called Chinese debt trap. However, the economic and debt situation in few countries is indeed concerning.

Six top African borrowers of Chinese loans have strong GNI

Regarding the total debt proportion to the Gross National Income (GNI), six of the top Chinese loan borrowing countries' debt to GNI is less than 40% (see Table 5-10). It means that their gross national income shares 50% more than their external debt. These countries are Angola, Ethiopia, Kenya, Sudan, Cameroon and Nigeria. In fact, Angola, Ethiopia and Kenya are the top three borrowers of Chinese loan, but they are having a strong GNI volume. Angola's GNI is accounted US\$ US\$ 117 billion, Ethiopia's GNI is totaled US\$ 80 billion and Kenya's GNI is amounted US\$ 74 billion in 2017.

South Africa and Ghana are having strong economic growth

Among the top ten African borrower's list, Republic of Congo, Zambia, South Africa and Ghana's debt proportion to GNI is higher than 50%, making them seem to be the venerable targets of Chinese loan (see Table 5-10). It means that the gross national income of these countries might not be able to cover the debt. However, South Africa is a different case, because it is a strong economy. South Africa's GNI in 2016 and 2017 were totaled US\$ 287 billion and US\$ 338.9 billion respectively (see Table 5-10). Its external debts of 2016 and 2017 were amounted US\$ 146 billion and US\$ 176 billion respectively.⁷⁷ Given this, South Africa's debt-service ability is quite strong, because its domestic productivity outweighs the external debt greatly. In light of Ghana's case, its debt proportion to GNI in 2016 was amounted 51%, followed a 48% debt to GNI in 2017 (see Table 5-10). On the other hand, Ghana's GNI in 2016 was amounted US\$ 41.7 billion, followed by an amount of US\$ 45.7 billion in 2017 (see Table 5-10). Although Ghana's GNI seems to be outweighed by its external debt, Ghana's annual economic growth has been growing on a strong path at 6.3 percent in

⁷⁷ World Bank, "International DEBT Statistics 2019."

2018.⁷⁸ There has been a strong growth in mining, petroleum, agriculture, forestry and logging in Ghana.⁷⁹ Given the economic growth, Ghana is not that vulnerable in terms of its external debt pressure. In addition, the CARI data indicates that China has only provided a total US\$ of 173 million loans to Ghana from 2014 to 2017. In contrast, the multilateral creditors have provided a total of US\$ 10 billion from 2016 to 2017.⁸⁰ This displays that China is not the major contributor to Ghana's external debt in recent years.

Republic of Congo is fine while Zambia is the most concerning case

Zambia is the most concerning case of a debt problem among the top ten Chinese loan borrowers from Africa, although both Republic of Congo and Zambia's debt percentages to GNI are greater than 50%. Republic of Congo's external debt proportion to GNI is amounted 51% in 2016 and 56% in 2017 (see Table 5-10). Zambia's external debt proportion to GNI is accounted 75% in 2016 and 65% in 2017 (see Table 5-10). Nevertheless, African Development Banks notes that this situation does not contain systematic risk.⁸¹ In fact, since the Brent Crude Oil Prices has risen about 177 percent over the past two years, crude petroleum exporters, such as Republic of Congo, Algeria, Angola, Chad, Gabon, Libya, and Nigeria are expected to take advantages in near future.⁸² African Development Bank considers that Republic of Congo has enormous potential for higher value added activities and productive employment. Hence, in comparison with Republic of Congo, Zambia has more problems on its external debt

⁷⁸ Kennedy Fosu, "Ghana's Economic Growth Expected to Be Stronger in 2019, But Diversifying Economy is Crucial," *The World Bank Group* June 14, 2019, <https://www.worldbank.org/en/news/press-release/2019/06/14/ghanas-economic-growth-expected-to-be-stronger-in-2019-but-diversifying-economy-is-crucial>

⁷⁹ *Ibid.*

⁸⁰ World Bank, "International DEBT Statistics 2019."

⁸¹ African Development Bank Group, "African Economic Outlook 2019," *African Development Bank* 2019, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2019AEO/AEO_2019-EN.pdf

⁸² *Ibid.*

burden and has been classified as being at high risk of debt distress in 2017.⁸³ Nevertheless, it is said that the Zambian Government has introduced measures to improve the debt sustainability including postponement of new infrastructure projects and the cancellation of some contracted loans that are yet to disburse.⁸⁴ In addition, China did not provide any loan to Zambia in 2017. On June 24, 2019, China's Foreign Minister Wang Yi announced to waive US\$ 22 million interest-free loan, which was provided to Zambia in 2007 and deliver a total of US\$30 million grants to Zambia for industrialization and job creation.⁸⁵

Nine out of ten are sustainable

Among the top 10 African borrowing countries of Chinese loan, 6 of them were having a strong GNI, which can cover the external debt. China's is not aiming at vulnerable African countries for a debt leverage and eroding the sovereignty of recipient countries. Moreover, for the other four African countries that are also on the list of top ten borrowers but have more than 50% of the debt proportion to the GNI, South Africa, Ghana and Republic of Congo are expected to be sustainable due to their economic performance and potential natural resource exports. This makes Zambia the most concerning case of Chinese loan and China is aware of Zambia's situation. With the polarized media and public opinion in Zambia, there is a growing anti-China sentiment in Zambia claiming that the Chinese is taking away the jobs and control Zambia's economic lifeline.⁸⁶ In line with the statistics, China does not have a debt

⁸³ *Ibid.*

⁸⁴ *Ibid.*

⁸⁵ LusakaTimes, "Chinese Government Writes Off \$22 Million Debt to Ease Zambia's Debt Burden," *LusakaTimes*, June 25, 2019, <https://www.lusakatimes.com/2019/06/25/chinese-government-writes-off-22-million-debt-to-easy-zambias-debt-burden/>

⁸⁶ Abu-Bakarr Jalloh and Fang Wan, "Resistance Growing to Chinese Presence in Zambia," *Deutsche Welle*, April 9, 2019, <https://www.dw.com/en/resistance-growing-to-chinese-presence-in-zambia/a-47275927>

“trap” for the vulnerable African countries. However, with a further deepened interaction between China and African countries, China has to pay more attention on the cross-cultural communication and the visible benefits for the general public in the Chinese aid recipient countries.

Table 5- 10: Indebted Situation and Economic Performance of Top 10 Chinese Loan Borrowers in SSA

	Total Debt to GNI %		GNI (US\$ B)		Exports (US\$ B)	Imports (US\$ B)	International Reserves (US\$ B)	Reserves to Total Debt %
	2016	2017	2016	2017	2017	2017	2017	2017
Angola	39	31	90	117	35.8	36	17	46
Ethiopia	32	33	72.7	80	6.6	19.6	3	11
Kenya	31	35	70	74	10.8	20	7	27
Republic of Congo	51	56	7	7.9	4.6	7.6	0.3	8
Sudan	24	20	86.5	107	5.6	11	0.17	0.8
Zambia	75	65	20	25	9	10	2	12
Cameroon	25	30	31.5	34	6.7	8	3	30
Nigeria	7.9	11	395.9	364	52	63.9	39.6	98
South Africa	50	52	287	338.9	109.9	115	45	25
Ghana	51	48	41.7	45.7	20.7	25	6.6	30

Source: Author adapted from World Bank, “International DEBT Statistics 2019,” *The World Bank*, 2018, <https://doi.org/10.1596/IDS2019>

5.6 Reconsidering the Alleged Chinese Debt Trap in the SSA

Are African countries victims of China’s debt trap disguised in the foreign aid cooperation? It is noted that the SSA actually contains few numbers of the most concerning cases of China’s debt trap. Since China has been giving loans to the SSA for more than six decades and few African countries have been proved to be trapped by China’s massive loan, the narrative of Chinese debt trap needs to be reconsidered.

5.6.1 Who are the Victims of Chinese Debt Traps in the SSA?

The phenomenon of China’s debt-trap narrative gone viral started with Sam Parker

and Gabrielle Chefitz's academic report published by the Belfer Center for Science and International Affairs in 2018.⁸⁷ The U.S. Embassy in Beijing even deliberately posted this report on the official social media in the middle of FOCAC 2018 held in Beijing.⁸⁸ In the section of "Country Vulnerability Assessment," scoring from 1 (lowest concern) to 5 (highest), Sam Parker and Gabrielle Chefitz listed 11 countries, which score more than 3 and bear the most concerns of China's debt trap, including Pakistan (4.3), Djibouti (3.9), Sri Lanka (3.8), Malaysia (3.4), Myanmar (3.4), Laos (3.2), Cambodia (3.2), Philippines (3), Micronesia (3.6), Marshall Islands (3.6), and Palau (3.6).⁸⁹ Among these countries, there is only one African country that scores more than 3, which is Djibouti, though the report also mentioned Kenya (scored 2).

In Kiel Institute's "China's Overseas Lending" published in 2019, Sebastian Horn et al. listed top 10 recipient countries of Chinese lending in terms of their debt stock's share of Gross Domestic Product (GDP).⁹⁰ These countries are Djibouti, Tonga, Maldives, Republic of Congo, Kyrgyzstan, Cambodia, Niger, Laos, Zambia and Samoa.⁹¹ Among these 10 countries, there are 4 African countries, including Djibouti, Republic of Congo, Niger and Zambia and Djibouti is again on the top of the list.

In addition, the Center for Global Development located in Washington DC also listed 8 countries with the most concerning vulnerability of China's debt in a policy paper of 2018.⁹² These 8 countries are Djibouti, Kyrgyzstan, Laos, the Maldives,

⁸⁷ Sam Parker and Gabrielle Chefitz, "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy."

⁸⁸ 古莉, 〈美國使館微博轉哈佛報告介紹“債務陷阱”〉, 《法國國際廣播電台》, <http://trad.cn.rfi.fr/auteur/%E5%8F%A4%E8%8E%89/>

⁸⁹ Sam Parker and Gabrielle Chefitz, "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy," p. 15.

⁹⁰ Sebastian Horn, Carmen Reinhart and Christoph Trebesch, "China's Overseas Lending."

⁹¹ *Ibid.*

⁹² John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective."

Mongolia, Montenegro, Pakistan, and Tajikistan.⁹³ Apparently, there is only one African country on this list, which is Djibouti.

5.6.2 Is China Setting up a Debt Trap in the SSA?

With respect to the mentioned three lists from the Belfer Center, the Kiel Institute and the Center for Global Development, there are 4 African countries that have been listed on the most concerning list of Chinese lending. They are Djibouti, Republic of Congo, Niger and Zambia. Since China has been providing foreign aid to African countries for more than six decades, the fact that there are only 4 African countries on the lists of the most concerning countries of Chinese lending among three research reports shows that the claims of China's debt-trap diplomacy in the SSA might not be a reality.

Given the fact that the cases of Republic of Congo and Zambia have been discussed in the previous sections, Djibouti and Niger will be investigated with the statistics of World Bank and CARI data. There are 5 critical findings suggesting that the alleged Chinese debt traps in Africa need more evidences to be verified as illustrated in Table 5-11, because the statistics display that China is not using its loan to strategically weaken and trap the African countries for the extension of its political influence. Conversely, China is using the loans to facilitate economic and infrastructure projects in the recipient countries and boost their domestic economy.

⁹³ *Ibid.*

Table 5- 11: Selected African's Countries' Debt Proportion of GNI and the Rank on China's Loan Volume, 2016 and 2017

Year	Total Debt Stock (US\$ Bn.)		Debt % to GNI		Long Term Multilateral Debt Stock (US\$ Bn.)		Long Term IMF Credit Stock (US\$ Bn.)	Rank on China's Loan Volume to Africa	Debt to China (US\$ Bn.)	
	2016	2017	2016	2017	2016	2017	2017	2000 to 2017	2016	2017
Mauritius	18	21	148	155	0.87	0.8	0.13	32	0	0
Djibouti	1.7	2	96	112	0.49	0.5	0.04	20	0.36	0
Zambia	15.5	16.3	75	65	1.4	1.6	0.79	6	1.9	0
Republic of Congo	3.8	4.4	51	56	0.2	0.3	0.1	4	1.9	0.3
South Africa	146	176	50	52	4	4.5	2.5	9	1	2
Niger	3	3.7	43	47	1.6	2	0.28	27	0	0
Kenya	22	26	31	35	6.9	8.7	1	3	1	0.064
Ethiopia	23.7	26	32	33	8	10	0.3	2	0.9	0.9
Angola	35	37	39	31	2	2	0.38	1	19	2.8
Sudan	21	21.7	24	20	3	3.58	0.5	5	0	0.01
SSA	463	535	32	34	87.6	103	20.5		30.4	10.9

Sources: Author adapted from World Bank, "International DEBT Statistics 2019," *International Bank for Reconstruction and Development / The World Bank*, 2018, <https://doi.org/10.1596/IDS2019>; Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang, "China-Africa Economic Bulletin No.1: Challenges of and opportunities from the commodity price slump," (Washington DC: China Africa Research Initiative (CARI), Johns Hopkins University School of Advanced International Studies, 2017), <http://www.sais-cari.org/data-chinese-loans-to-africa>

No one mentions Mauritius

Djibouti is not the worst case, because Mauritius' debt proportion to GNI is up to 155% in 2017. However, no report has mentioned the case of Mauritius. Commentators are in favor of Djibouti, because of its geopolitical significance. In the case of Mauritius, China has given a total of US\$ 491 million of loans to Mauritius from 2000 to 2017 according to the CARI data. In 2016 and 2017, China did not provide any loan to Mauritius. Moreover, on the ranking of China's loan volume to African countries, Mauritius ranked number 32. On the other hand, multilateral creditors are still lending money to Mauritius in 2016 (US\$ 0.8 billion) and 2017 (US\$ 0.8 billion). The IMF gave credits of US\$ 0.13 billion to Mauritius in 2017 (see Table 5-11). In short, in the case of the most vulnerable indebted African country, Mauritius, China is not increasing the debt burden of Mauritius and not using Chinese loans to trap Mauritius for China's

political influence.

Djibouti's external debt is relatively not much and the problem is the debt-servicing capacity

Although Djibouti's debt proportion to GNI has reached 112% in 2017, making it on the top of the most concerning lists of Chinese lending, the total external debt stocks of Djibouti in 2016 and 2017 were accounted only US\$ 1.7 billion and US\$ 2 billion respectively, which are much less than many of the African countries including Zambia, Republic of Congo, Niger, etc. (see Table 5-11). The reason for Djibouti to have such a high debt ratio to GNI is because the size of Djibouti's GNI volume is relatively small and this inactive domestic economy has been weakening the debt-servicing ability of Djibouti. Djibouti's GNI in 2016 and 2017 were totaled US\$ 1.7 billion and US\$ 1.8 billion, which are relatively low compared to other African countries (See Table 5-11). For instance, Benin had US\$ 9 billion of GNI in 2017, Zambia had US\$ 25 billion of GNI in 2017, Chad had US\$ 9.8 billion of GNI in 2017, Republic of Congo had US\$ 7.9 billion of GNI in 2017, Malawi had US\$ 6.1 billion of GNI in 2017 and eSwatini had US\$ 4.4 billion of GNI in 2017.⁹⁴ Djibouti's total external debt amount is not large, but due to its weak GNI volume, it is always on the top of the most concerning list of Chinese lending, because of its poor debt-servicing capacity.

The poor debt-servicing capacity has always been a problem for many African countries in the SSA and one of the root causes is the inactive economic growth. Furthermore, one of the key factors that block the economic growth in the SSA is the infrastructure deficit (see Table 4-2). It is difficult for the African to promote economic opportunities when there is no roads, clean water and electricity and communication

⁹⁴ World Bank, "International DEBT Statistics 2019."

technologies. After receiving decades of ODA from the OECD-DAC, the SSA is still suffering from the poor infrastructure, leading to inactive economic growth and resulting in a weak debt-servicing capacity.

Unlike OECD-DAC's aid behaviors, China's foreign aid projects provide an alternative model that highlights business opportunities, trade and investment via OOF including loans and credits. More importantly, China's aid projects are mainly focus on infrastructure construction in the SSA and these infrastructures are the backbone of the future economic development. Furthermore, the African recipients can use Payment-in-Kind or bartering to make the repayments. It means that African governments do not have use cash to make repayment; instead, they can use their abundant resources including natural resources or agricultural goods to make repayment to China. In this case, despite the weak GNI and poor debt-servicing capacity, African countries can still make repayments via payment in kind.

In sum, the poor GNI and debt-servicing capacity of Djibouti does not validate the narrative of China's debt trap in the SSA, because Djibouti's policy makers have not been forced to accept the loan agreement with China. Moreover, by accepting China's aid package and development cooperation, Djibouti is taking the risks to have an opportunity of economic growth in the future. The core issue for Djibouti is not its debt, but the economic development.

Djibouti ranked number 20 on the list of top African borrowers of Chinese loan

Despite that Djibouti is always on the top of the concerning list of Chinese lending, China does not give a large amount of loan to Djibouti. Table 5-5 shows that Djibouti is ranked number 20 on the ranking list of China's loan volume to African countries. It

means that China is not targeting Djibouti with its overseas lending. There are 19 African countries received more loans from China than Djibouti. According to the CARI data, China has provided US\$ 1.46 billion of loan to Djibouti from 2000 to 2017 (see Table 5-5). Compared to Angola with a Chinese loan totaled US\$ 42.8 billion from 2000 to 2017, Djibouti does not receive a large loan from China. Thus, it is questionable to suggest that China is setting up a debt-trap to Djibouti, since the real problem for Djibouti is its weak GNI and poor debt-servicing capacity.

Why would Djibouti's top policy makers agree to accept the loan deals with China when the country's GNI is weak and the debt-servicing capacity is poor? Why is the Chinese government willing to provide loans to Djibouti when they are aware of the fact that there might be a possibility of default? There are two explanations. First, China's loans are taken for infrastructure constructions in Djibouti and these infrastructures are expected to generate economic benefits in the near future. Hence, the Djibouti government is willing to take the risk for the infrastructures and the potential of economic growth. Second, complementarity is always embedded in China's foreign aid cooperation via the forms of payment in kind, resource-backed loans and commodity-backed loans. Thus, although Djibouti has a poor debt-servicing capacity, it does not mean that Djibouti is incapable of making a bartering with China by mobilizing what it have the most. The Chinese can always make a business deal under any circumstances. Conversely, a country with a poor debt-servicing capacity like Djibouti deserves to have opportunities of trade, investment and joint ventures.

Niger's problem is also the stagnation of economy and poor debt-servicing capacity, not the external debt

Niger's problem is also the lack of economic development causing poor debt-

servicing capacity, not the external debt. Niger's debt proportion to GNI is amounted 43% in 2016 and 47% in 2017 with a total debt volume of US\$ 3 billion in 2016 and US\$ 3.7 billion in 2017 (see Table 5-11). The external debt volume for Niger is not very large, but due to the size of its GNI accounted US\$ 7 billion in 2016 and US\$ 7.9 billion in 2017, Niger has pressures of debt.⁹⁵ China did not provide any loans to Niger in both 2016 and 2017. The total provided Chinese loan volume to Niger is amounted US\$ 703 million from 2000 to 2017, ranking number 27 on the list of China's loan volume to African countries.⁹⁶ The multilateral creditors are providing more loans to Niger in 2016 and 2017 than China (see Table 5-11).

China helps Niger to become more energy independent and an oil exporter

China has been investing Niger and providing incentives to boost Niger's economic productivity and social development, so that it can enhance the GNI and debt-servicing capacity in the future. Despite the ups and downs of China-Niger relations (Niger first recognized the R.O.C. in 1963 and switched to the P.R.C. in 1974 and recognized R.O.C. again in 1992 and switched back the P.R.C. in 1996 again),⁹⁷ Mamadou Tandja, President of Niger decided to invite the Chinese National Petroleum Corporation (CNPC) to partake Niger's extractive industries of oil with a US\$ 5 billion investment as a means of accelerating growth in 2008.⁹⁸ Since then, China begins to pay more attention on Niger for its oil and uranium. With the investment of China's enterprises, Niger's oil industry was on a rising pace with a production of 2.44 million tons of crude oil in 2014, to 16,000 barrels per day in 2015 and increased to 22,000 barrels per day

⁹⁵ The World Bank, "International Debt Statistics," *The World Bank Debt Data*, 2019, <https://datatopics.worldbank.org/debt/ids/region/SSA#>

⁹⁶ Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang, "China-Africa Economic Bulletin No.1: Challenges of and Opportunities from the Commodity Price Slump."

⁹⁷ Ian Taylor, *China's New Role in Africa* (Boulder: Lynne Rienner Pub, 2009), p. 29.

⁹⁸ IHS Markit, "CNPC to Invest US\$5 bil. in Niger's Oil Sector; Pipeline and Refinery Promised," *IHS Markit*, June 5, 2008, <https://ihsmarkit.com/country-industry-forecasting.html?ID=106596730>

in 2017.⁹⁹ Jean-Pierre Cabestan, professor of Hong Kong Baptist University argues that China's state-owned enterprise CNPC has helped Niger to become more energy independent and an oil exporter, which is something that the Western companies have always been hesitant to do because the lack of profitability.¹⁰⁰ Besides oil extraction, China has become Niger's second largest trading partner after France.¹⁰¹ China also donated US\$ 68 million for the construction of the "Niamey General Referral Hospital," which was completed in 2016 as one of the largest foreign hospital funded by Chinese government in Niamey.¹⁰² This Hospital will be able to provide all services, including emergency, cardiology, 16 operation rooms, laboratory, blood bank and medical training.¹⁰³ This was not the first time for China to donate such large infrastructure project to Niger. In 1984, China had completed General Seyni Kountche stadium in Niger and repaired the building in 2009.¹⁰⁴ The Sino-Niger development cooperation had started with the oil and mineral sector and expanded into a broader scope of infrastructure, trade and social development. Instead of adding up the debt pressure to Niger, China's foreign aid to Niger has generated economic benefits and alleviate Niger's situation of debt stress.

5.7 If Not Debt Trap, What Else?

Throughout the analysis, there is no evidence to prove that China is using huge

⁹⁹ Jean-Pierre Cabestan, "Beijing's 'Going Out' Strategy and Belt and Road Initiative in the Sahel: The Case of China's Growing Presence in Niger," *Journal of Contemporary China*, Vol. 28 No. 118 (2018), pp. 592-613.

¹⁰⁰ *Ibid.*

¹⁰¹ *Ibid.*

¹⁰² Afcham, "Niger Inaugurates Hospital Constructed By China," *The African Chamber of Commerce* August 17, 2016, <https://afcham-china.org/niger-inaugurates-hospital-constructed-by-china/>

¹⁰³ *Ibid.*

¹⁰⁴ China Geo-Engineering Corporation International Ltd., "China donated project of reparation of SEYNI KOUNTCHE Stadium in Niger," *CGCINT*, June 24, 2014, <http://www.cgcint.com/index.php/en/subsidiary/africa/niger/139-zdjj/gongcheng/2014-06-24-13-58-24/329-niger5>

loans to strategically trap African countries, intentionally making the recipients trapped within a serious debt burden and once the recipient country is deeply indebted, China can extend its political influence by weakening the sovereignty of the indebted country. When commentators are criticizing the Chinese loans, few attention has been given to the responsibility and ownership of African governments. China is not responsible for the weak GNI and poor debt-servicing capacity among the recipient countries. If the Chinese aid projects were not beneficial, African policy makers can choose not to accept the deal. Conversely, the reason for African policy makers to accept the Chinese package of aid cooperation is because of infrastructures and opportunities of trade and investment. Moreover, since China accepts payment in kind, bartering and compensation trade, a country with poor records of debt-servicing capacity and weak GNI can still have opportunities to cooperate with China in development aid projects. Therefore, the alleged Chinese debt trap is not yet a reality, but rhetoric. However, if China is not using the loans to trap the African countries, what is the purpose for China to delivery so much loans to the SSA?

5.7.1 Commerce is More Important than Resources

It is commonly assumed that China's aid to the SSA is mainly for the purpose of winning the natural resources and taking over the access to minerals. China has an insatiable demand for energy and oil and it has surpassed the U.S. as the world's largest crude oil importer in 2017.¹⁰⁵ However, natural resource extraction is not the main driver for China to deliver foreign aid to African countries, but commerce is. Deborah Brautigam points out that China is also providing foreign aid to countries without any

¹⁰⁵ Today in Energy, "China surpassed the United States as the world's largest crude oil importer in 2017," *U.S. Energy Information Administration*, February 5, 2018. <https://www.eia.gov/todayinenergy/detail.php?id=34812>

resources, such as Senegal, Mauritius, Mali, Rwanda, Togo and Benin (see Table 5-12).¹⁰⁶ The incentive is to expand China’s contracting aid projects in these countries via the assistance of China’s concessional loans. In this case, China’s contracting enterprises can gain economic profits from these aid projects and the recipient countries can have infrastructures or other projects to be carried out by the Chinese. To gain economic benefits from each other’s development between China and recipient country is the major incentive behind China’s loan policy.

Table 5- 12: China’s Loans to resource-poor countries in Africa from 2000 to 2017

	Senegal	Mauritius	Mali	Rwanda	Togo	Benin
Loans (US\$ Million)	1630.18	491.91	981.46	288.51	692.86	995.93

Source: Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang, “China-Africa Economic Bulletin #1: Challenges of and opportunities from the commodity price slump,” CARI Economic Bulletin #1. China Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, Washington DC: CARI, 2017.

5.7.2 The Enlarging Sino-Africa Exports and Imports

The import and export trade between China and African countries has grown tremendously over the past 50 years. The total trade volume between China and African countries between 1961 and 1964 averaged about US\$76 million (see Table 5-13). The total bilateral trade between China and Africa has grown steadily from US\$57 million in 1961 to US\$108 million in 1964.

¹⁰⁶ Deborah Brautigam, “China in Africa: Seven Myths,” *Analysis of the Real Elcano Institute (ARI)* No. 23 (2011), p. 4.

Table 5- 13: The Volume of Sino-African Bilateral Trade, 1961-1964

(Unit: US\$ 10 Million)

Year	1961	1962	1963	1964
China Export to Africa	2.9	3.1	3.4	5.4
China Import from Africa	2.8	2.2	5.4	5.4
Total Sino-Africa Trade Volume	5.7	5.3	8.8	10.8

Source: Author adapted from Central Intelligence Agency, "International Trade of Communist China, 1950-65," *General CIA Records*, October 21, 1966, pp. 52-53
<https://www.cia.gov/library/readingroom/document/cia-rdp79t01049a003300110001-2>

Table 5-14 presents that the total bilateral trade between China and African countries has grown from a total of US\$53 million in 1962 (see Table 5-13) to US\$3.8 billion in 1998 (see Table 5-14), and has doubled steadily every year. The total trade volume between China and Africa exceeded \$10 billion for the first time in 2000 (see Table 5-14). However, compared with the US\$38.5 billion trade between the United States and Africa in the same year, economic cooperation between China and Africa is not yet mature. In 2008, China-Africa total trade broke through the US\$ 100 billion ceiling for the first time and slightly exceeded the total trade volume of the United States and Africa (see Table 5-14). In 2010, China-Africa trade totaled US\$124 billion. Compared with the US-Africa total trade volume amounted US\$97 billion in the same year, China-Africa trade's momentum began to widen the gap between the U.S. and China in trade volume with African countries. In 2013, China-Africa trade exceeded US\$200 billion, while the total US-Africa trade remained at around US\$130 billion. In 2014, China-Africa trade totaled US\$215 billion, which is the highest point in history and also surpassed the total US-Africa trade volume amounted US\$129 billion in the same year. In 2016, the Sino-Africa trade volume still remained a total of US\$ 127 billion while the US-Africa trade volume was totaled US\$ 48 billion. In 2018, the Sino-Africa total trade volume was amounted US\$ 204 billion, whereas the US-African total trade volume was only US\$ 61.7 billion. In comparison with the US-Africa trade

volume, China and African countries are having an unprecedented momentum of trade and commerce.

Based on this growth of Sino-Africa trade relations, Wu Yi's strategy of combining aid, trade and investment via the catalyst of concessional loan in the middle of 1990s seems to be a successful policy. Chinese enterprises are more willing to take the risks in the SSA and carry out aid projects as well as business deals when the aid projects are securitized by the government-subsidized concessional loans. Given the fact that since the year of 2000, a majority of China's foreign aid projects are commercially driven OOF, instead of ODA (see Table 2-3), the Sino-Africa trade relations have been promoted in line with the provision of Chinese aid projects and concessional loans. Nonetheless, detailed research has to be conducted in the future to investigate via single country case study to see if China's concessional loan has effectively promoted bilateral trade between China and a specific African country.

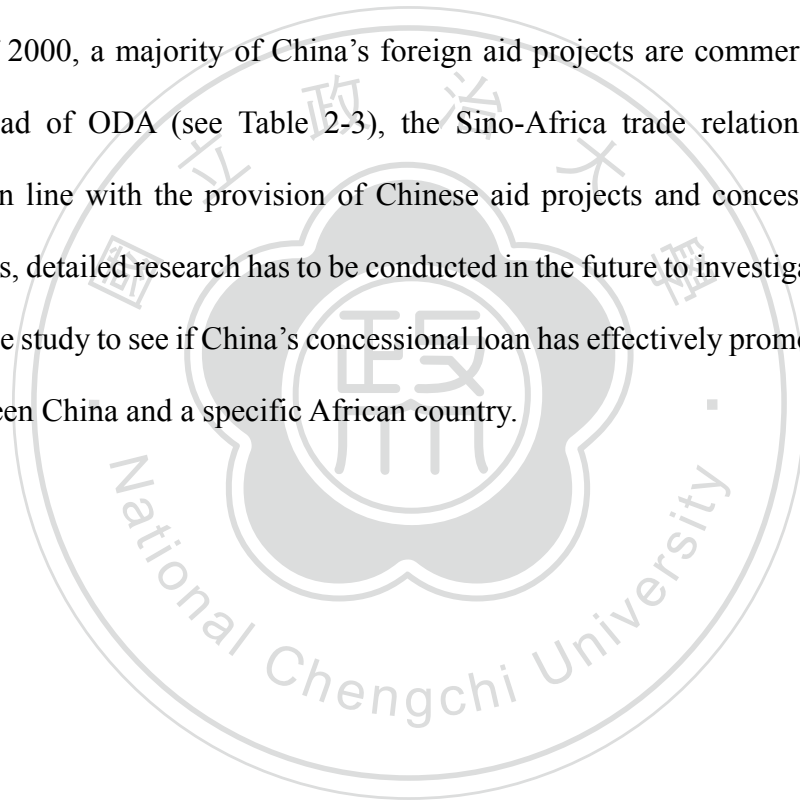


Table 5- 14: Comparing China and US Total Trade Volume with Africa, 1998-2018
(Unit: US\$ Billion)

Year	1998		2000		2002		2004		2006		2008	
Country	PRC	US	PRC	US	PRC	US	PRC	US	PRC	US	PRC	US
Total Export to Africa	3.02	11.1	4.9	10.9	6.74	10	13.2	13	25.7	19	49.3	28
Total Import from Africa	0.77	15.8	5.54	27.6	5.4	10	15.5	23	28.6	46	55.8	72
Total Trade Volume	3.79	38.5	10.4	38.5	11.8	20	28.7	36	54.4	65	105	100

Year	2010		2012		2014		2015		2016		2018	
Country	PRC	US	PRC	US	PRC	US	PRC	US	PRC	US	PRC	US
Total Export to Africa	57.8	27	80.3	31	101	37	150	26	88.0	21	104	25.9
Total Import from Africa	66.9	70	112	97	114	92	38.8	26	39.9	27	99	35.8
Total Trade Volume	124	97	192	128	215	129	190	52	127	48	204	61.7

Sources: Author adapted from Johns Hopkins China-Africa Research Initiative, "China-Africa Annual Trade Data," *China Africa Research Initiative*, 2019, <http://www.sais-cari.org/data-china-africa-trade>; 駐非盟使團經濟商務處, 〈2018 年全年我與非洲貿易資料〉, 《中華人民共和國商務部》, 2019 年, <http://africanunion.mofcom.gov.cn/article/jmxw/201901/20190102830225.shtml>; 駐尼日利亞使館經商參處, 〈2017 年我與非洲全年貿易數據〉, 《中華人民共和國商務部》, 2019 年 <http://africanunion.mofcom.gov.cn/article/jmxw/201801/20180102703211.shtml>; The United States Census Bureau, "Trade in Goods with Africa," *U.S. Department of Commerce* (2019/3/13), <https://www.census.gov/foreign-trade/balance/c0013.html>

5.7.3 A Stable Growth of China's Investment to the SSA

Besides commerce, investment is another factor pushing China to provide concessional loans to the SSA and make more opportunities for Chinese enterprises to deliver aid projects in the SSA. Prior to the year of 2000, African region was not in favor of global investments and the average annual global investment volume in Africa was less than \$5 billion.¹⁰⁷ The top five investors to African region from 1991 to 2000 were United States (US\$9.5 billion), France (US\$6.4 billion), the United Kingdom

¹⁰⁷ Joann Peterson and Wen Jin "Jean" Yuan, "U.S. Trade and Investment with Sub-Saharan Africa: Recent Developments," *United States International Trade Commission*, April, 2018, <https://www.usitc.gov/publications/332/pub4780.pdf>

(US\$5.6 billion), the Netherlands (US\$1.1 billion), and Japan (US\$ 500 million).¹⁰⁸ China was not on the list of top five investing countries to African region before the year of 2000. However, China becomes the world's fourth largest investor to the African Continent in 2016 with a total of US\$ 40 billion of investment volume (Hong Kong's investment was not included).¹⁰⁹ The U.S. was still the largest investor to Africa in 2016 with a total of US\$ 57 billion, followed by the U.K. with a total of US\$ 54 billion and Japan was the third largest investor to Africa with the amount of US\$ 49 billion.¹¹⁰

China has a stable growth of overseas investment to African region (see Table 5-15). In 2011, the total volume of Chinese investment to Africa was amounted US\$ 16 billion, ranked as the fifth largest investor to Africa. In 2016, China has increased its overseas investing volume to US\$ 40 billion and ranked as the fourth largest investor to Africa. As for the U.S., despite that fact that it is still the largest foreign direct investment provider to the African countries (see the highlighted figures of 2017 in Table 5-16), the investing volume remains the same for both 2011 and 2016. The overall US investment to the African Continent from 2010 to 2016 has revealed a downward trend, which is a 12% decrease.¹¹¹

Table 5- 15: Ranking of the Foreign Direct Investment to Africa, 2011 and 2016

¹⁰⁸ Chantal Dupasquier and Patrick N. Osakwe, "Foreign Direct Investment in Africa: Performance, Challenges and Responsibilities," *ATPC Work in Progress* No. 21, September, 2005, https://www.researchgate.net/profile/Patrick_Osakwe/publication/223326317_Foreign_direct_investment_in_Africa_Performance_challenges_and_responsibilities/links/5a2d0813a6fdccfbf876769/Foreign-direct-investment-in-Africa-Performance-challenges-and-responsibilities.pdf?origin=publication_detail

¹⁰⁹ United Nations Conference on Trade and Development, *World Investment Report 2018* (Geneva, United Nations, 2018), pp. 55.

¹¹⁰ *Ibid.*

¹¹¹ Joann Peterson and Wen Jin "Jean" Yuan, "U.S. Trade and Investment with Sub-Saharan Africa: Recent Developments."

(Unit: US\$ Billion)

Rank	2011	Rank	2016
1	US (57)	1	US (57)
2	UK (54)	2	UK (55)
3	France (52)	3	France (49)
4	South Africa (23)	4	China (40)
5	China (16)	5	South Africa (24)
5	Singapore (16)	6	Italy (23)
5	India (16)	7	Singapore (17)
6	Italy (13)	8	India (14)
7	Switzerland (11)	9	Switzerland (13)
8	Hong Kong (7)	9	Hong Kong (13)

Source: Author adapted from Joann Peterson and Wen Jin “Jean” Yuan, “U.S. Trade and Investment with Sub-Saharan Africa: Recent Developments” *United States International Trade Commission*, April 2018, <https://www.usitc.gov/publications/332/pub4780.pdf>

China’s overseas investment stock to African countries has grown substantially from 2003 to 2017 while the U.S.’ investing momentum to Africa seems declining in recent years (see Table 5-16). Despite the U.S. is still the largest investor to African region with a total stock of US\$ 50 billion in 2017 (see the highlighted figure of 2017 in Table 5-16), the largest investing amount was in 2014 with a totaled stock of US\$ 69 billion, which was the highest amount of American investing volume to Africa from 2003 to 2017. In the case of China, its investment stock in Africa was totaled US\$ 491 million in 2003 and it exceeded to US\$ 1.5 billion in 2005 (see the highlighted figure of 2005) and broke US\$ 10 billion stock in 2010 (see the highlighted figure of 2010 in Table 5-16). In 2017, China’s overseas investment stock in Africa reached an amount of US\$ 43 billion, which was the highest point in the past 14 years. In short, China does not provide more investment to Africa than the U.S. However, it is catching up quickly.

Table 5- 16: Comparing the Foreign Direct Investment Flow and Stock to Africa between China and the U.S., 2003 -2017 (Unit: US\$ Million)

Year	2003		2004		2005		2006		2007	
Country	China	US	China	US	China	US	China	US	China	US
Flow	74	2,700	317	1,600	391	2,600	519	5,200	1,574	4500
Stock	491	19,800	899	20,400	1,595	22,800	2,556	28,200	4,461	32,600
Year	2008		2009		2010		2011		2012	
Country	China	US	China	US	China	US	China	US	China	US
Flow	5,490	3800	1,438	9,400	2,111	9,200	3,173	5,100	2,516	3,700
Stock	7,803	36,700	9,332	43,900	13,042	54,800	16,244	57,000	21,729	55,800
Year	2013		2014		2015		2016		2017	
Country	China	US	China	US	China	US	China	US	China	US
Flow	3,370	5,000	3,201	2,400	2,985	800	2,398	2,100	4,104	300
Stock	26,185	60,900	32,350	69,000	34,694	52,000	39,877	51,700	43,296	50,300

Source: Author adapted from Johns Hopkins China-Africa Research Initiative, “Chinese FDI Flow to African Countries,” *China Africa Research Initiative*, 2019, <http://www.sais-cari.org/chinese-investment-in-africa>

5.8 Summary

Are China’s foreign aid projects debt-traps to the SSA? Are Chinese loans strategic instruments deployed to trap recipient countries with massive debts? Is China intentionally provide huge loans to trap African recipients and once the recipient country is deeply indebted, China can extend its political influence by weakening the sovereignty of the indebted country?

Throughout the analysis, the results indicate that the narrative of China’s debt trap is a rhetoric, not a reality. The purpose of providing Chinese loans (including interest-free loan, concessional loan, special loan for commerce and lines of credits) is to

encourage Chinese enterprises to go to the developing countries and conduct aid projects mixing with trade and investment. The loan is used to securitize the risks and the possibility of default, so that China's enterprises are more willing to go abroad and make investment. Furthermore, an indebted aid recipient country does not fit the best interests of China's contracting enterprises.

Moreover, China provides debt cancellation and grants. When critics are bombarding about the alleged Chinese debt traps, few have asked the question that if China intends to add up the debt burden among African countries and use it for political leverage, why would it simultaneously cancel the debts and provide grants. Also, the total volume of China's overseas loan is amounted from a range of US\$ 126 billion to US\$ 144 billion from 2000 to 2018. China's loan is not as huge as critics commonly assumed. Furthermore, China is not the largest creditor of African countries. Multilateral institutions and private lenders are larger creditors than China. Hence, it is not plausible to criticize China for the entire debt burden among the African countries.

Among the top ten African borrowers of China, eight of them are considered middle-income countries and only two of them are viewed as low-income countries, including Ethiopia, Republic of Congo. This indicates that China is not aiming at low-income African countries for the leverage of massive loan provision.

Djibouti's external debt is relatively not much and the problem is the debt-servicing capacity. The poor debt-servicing capacity has always been a problem for many African countries in the SSA and one of the root causes is the inactive economic growth. In addition, it is difficult for the Africans to promote economic opportunities when there is no roads, clean water and electricity and communication technologies. After receiving decades of ODA from the OECD-DAC, the SSA is still suffering from the

poor infrastructure, leading to inactive economic growth and resulting in a weak debt-servicing capacity. Unlike OECD-DAC's aid behaviors, China's foreign aid projects provide an alternative model that highlights business opportunities, trade and investment via OOF including loans and credits. More importantly, China's aid projects are mainly focus on infrastructure construction in the SSA and these infrastructures are the backbone of the future economic development. By accepting China's aid projects and loans, Djibouti is expected to gain economic benefits from the Chinese founded infrastructures in the future and reinforce its debt-servicing capacity.

When commentators are criticizing the Chinese loans, limited attention has been given to the responsibility and ownership of African governments. China is not responsible for the weak GNI and poor debt-servicing capacity among the recipient countries. If the Chinese aid projects were not beneficial, African policy makers can choose not to accept the deal. Conversely, the reason for African policy makers to accept the Chinese package of aid cooperation is because of infrastructures and opportunities of trade and investment. Moreover, since China accepts payment in kind, bartering and compensation trade, a country with poor records of debt-servicing capacity and weak GNI can still have opportunities to cooperate with China in development aid projects. Therefore, the alleged Chinese debt trap is not yet a reality, but rhetoric.



Chapter Six

Conclusion

In this research, the purpose is to investigate whether there is a gap between the rhetoric concerning about China's foreign aid behaviors in the SSA and the reality of China's aid implementation in the SSA. There are three research questions. First, what are the ideational (normative guiding principles) and material (institutional mechanism) structures that influence China's foreign aid behaviors and how can they explain China's foreign aid implementation to the SSA? Second, is it rhetoric or reality that China's foreign aid is a form of neo-colonialism in Sub-Saharan Africa? Third, is it rhetoric or reality that China's foreign aid is a debt trap in Sub-Saharan Africa?

In order to ascertain the claims solicited from the existing literatures, the author proposes to incorporate the ideational structure of normative guidance and the material structure of institutional mechanism of Chinese aid and deconstruct the Chinese aid. More importantly, the alleged issues of China's foreign aid as a form of neo-colonialism and a debt trap in the SSA have been singled out for investigation. The results of investigation show that the alleged neo-colonial Chinese aid and debt traps are not yet reality.

6.1 Major Findings

There are seven major findings of this dissertation.

6.1.1 Difference between China's ODA and OOF

When addressing on China's foreign aid, few have distinguished the different

functions and volumes of Chinese ODA and OOF. As a result, some scholars are using the criteria of ODA to evaluate or even make judgment on China's OOF. The distinction between ODA and OOF is that ODA has to be carried with a least 25% of a grant element and has to exclude commercial attempts or purposes. However, OOF is not constrained by the 25% of grant element condition and can be mingled with commercial measures of loans and credits. In addition, China provides a larger amount of OOF than ODA. The CARI data estimates that China has provided a total of US\$ 216 billion of OOF from 2000 to 2014 while its ODA provision only accounted US\$ 81 billion in the same period.

In other words, a majority of Chinese aid to African countries since the year of 2000 is aiming at promoting economic interests. For those who criticize China's aid for not doing enough on good governance or social warfare, they need to figure out the fact that many of the Chinese aid projects were established for a commercial purpose such as a joint venture of infrastructure or agriculture and the African recipients are aware of this, because Africans also want the opportunities of trade and investment. China's foreign aid projects reflect a fact that the SSA is not only a region that needs grants, cash or reforms of governance, but it also needs investment, trade and commercial activities. Most important of all, the SSA needs infrastructure and China is sending enterprises to build infrastructures for the African via OOF.

6.1.2 China's Foreign Aid Pattern is not an Chinese Invention

Many commentators tend to see China as a unique case of foreign aid; however, they overlook the fact that China's aid is a part of the rising phenomenon of Non-DAC actors' international cooperation and China's aid implementation is based on its own experience of development cooperation with Western countries in the 1980s and 1990s.

Moreover, since both ODA and OOF are defined by OECD-DAC as foreign aid, China's foreign aid behaviors, which are largely driven by commercial activities cannot be viewed as outside the normative domain of OECD-DAC though China is not a member of DAC. In other words, China's aid implementation is not a Chinese invention.

China's foreign aid momentum is subject to a broader trend of the rise of non-DAC actors, such as Brazil, India, Malaysia, the Russian Federation, Thailand, etc. Since non-DAC actors do not have to conform to the current rules stipulated by the DAC, they can conduct a more integrated approach such as blending grants, loans and technical assistance with export credits, market-based finance and business packages that are not in line with the DAC's strict definition of ODA. Scholars have consider the phenomenon of non-DAC actors as silent revolution in the international cooperation. China is a part of this silent revolution of foreign aid.

More importantly, China's aid implementation reflects its own developing experience in the 1980s and 1990s. China had embraced a large amount of foreign capitals from foreign countries since the decision to adapt international resources in the late 1970s. By engaging with foreign capitals, loans, credits, and aid and investment, China was able to acquire advanced technology, equipment and knowhow for economic development. Similar to the African countries, China was using domestic natural resource to lure foreign capitals and to secure the loans or even to exchange for the financial assistance on infrastructure and economic development. A majority of foreign capitals that entered into China from 1980 to 2000 was mostly in forms of OOF, rather than ODA. These foreign capitals were in China to promote joint venture in forms of payment-in-kind, bartering and compensation trade. Using goods rather than cash to purchase goods had become a widely used strategy for China to acquire goods and

technologies without spending its foreign exchange in the 1980s and 1990s.

China's foreign aid implementation is not so distinct from the DAC's countries. Both the DAC's countries and China are practicing ODA and OOF. The difference is that China has a larger amount of OOF than ODA compared to DAC donors. Nonetheless, since Beijing does not clearly separate the practices of ODA and OOF in its foreign aid activities and the Chinese aid data is not entirely transparent, it is easier for scholars and commentators to evaluate China's aid according to the definition of ODA and find incongruity between China's foreign aid and the DAC's ODA. In fact, a larger proportion of Chinese aid is defined by OOF and the OOF is not a Chinese invention because it is also defined as a type of foreign aid by the OECD-DAC.

6.1.3 Wu Yi's Concessional Loan Policy was the Turning Point

Despite the fact that China has been providing foreign aid to developing countries since 1950, the real economic profitability was not gained until Wu Yi's concessional policy launched in the mid-1990s and established a trinity of aid, trade and investment. Even though China has had the concept of mutual benefits since Zhou Enlai's Eight Principles for Economic Aid announced in 1964 and the normative guidance had shifted from an ideological trajectory to a profit-seeking trajectory after 1978, the reality was that China was not capable of gaining economic benefits from its aid projects due to a lack of financial resources. It was not until the year of 1994, when Wu Yi launched the Grand Strategy of Economy and Trade and officially incorporated the concessional loan policy that China's foreign aid had become capable and resourceful of going out exploring natural resources and making profits from the aid projects. With the creation of FOCAC in 2000, China's foreign aid had entered into a much mature stage of comprehensive development and began to earn real economic benefits from

international development cooperation.

6.1.4 ODA aimed at Diplomatic Interests while OOF aimed at Economic Benefits

Pursuant to the previous finding that Wu Yi's policy to engage the government subsidized concessional loan with foreign aid was a turning point for China to expand the scale of OOF while China's ODA was actually outweighed the OOF from 1950 to early the 1990s, this dissertation observes that China's ODA was delivered for the diplomatic interests and China's OOF was aimed at economic benefits.

China's foreign aid was driven by ideology from 1950 to 1978. The foreign aid policy at that time was an instrument served for the foreign policy goals and fluctuated by the major international events and the systematic balance of power. More importantly, the patterns of Chinese aid were mostly ODA related interest-free loans and low interest loans. The Tanzania-Zambia Railway construction was the classic example proving that China's aid was directed by ideological and diplomatic consideration, not by rational economic calculation, because China had provided an interest-free loan of CNY 9.88 billion for the project during the time of Cultural Revolution. Under such unstable domestic circumstance, the fact that China was willing to provide a large interest-free loan of ODA to assist the project of Tanzania-Zambia Railway indicates the essence of China's deployment of foreign aid was driven by ideology and foreign policy interests. China's ODA-like projects were aimed more for the diplomatic interests and foreign policy goals.

Since the launch of Wu Yi concessional policy in the 1995, China's foreign aid has entered into a different stage with fast growing volume of Chinese OOF. Institutionally

speaking, China's foreign aid patterns were not as economic rational as it supposed to be due to the ideological guidance and a lack of autonomy and economic incentive among the undertaking units before 1980. It was not until the Investment Lump Sum Contracting System from 1980 to 1983 that the Chinese undertaking enterprises begin to share more responsibility. The Contractor Accountability System from 1983 to 1993 was another milestone for the Ministry of Foreign Economic Cooperation and Trade to be directly engaged with legal person enterprises instead of provincial governments. The objective of these legal person enterprises is to make profits. Furthermore, the Enterprise Contract Responsibility System from March 1993 to the present was the final reform of China's aid patterns and it enhanced the procedure of selecting the most qualified enterprise. The selected enterprise would enjoy full autonomy in the implementation and responsible for the overall economic and technical interests. With the release of China's concessional loan policy in 1995, Chinese enterprises have been strengthened the capability to compete internationally and make profits. This institutional background explains why the volume of China's OOF was growing in a rapid speed from the year of 2000 onwards. More importantly, with these Chinese enterprises operate projects on the front lines, China's OOF has been focusing more on the economic interests, rather than diplomatic goals. Although there are diplomatic behaviors and foreign policy incentives behind Chinese aid from the late 1990s to 2017, overall speaking, economic development is the primary objective of Chinese aid.

6.1.5 The Significance of the Ministry of Commerce in China's Foreign Aid

Despite the overarching position of China's State Council, the Ministry of Commerce is significant to China's foreign aid, because its institutional evolution is

entangled with the development of foreign aid. Moreover, “Measures for the Administration of Foreign Aid,” the first comprehensive ministry-level regulation governing the administration of foreign aid stipulated in 2014 stipulates that the Ministry of Commerce is responsible for foreign aid work, including drafting the plans, organizing the implementation, selecting the foreign aid projects, and administrating the use of aid funds. In other words, China’s foreign aid has never been fully managed by the Ministry of Foreign Affairs, because it is always under the supervision of the Ministry of Commerce or its predecessors. This indicates the nature of China’s foreign aid is entangled with economic interests and commerce.

Although the Chinese aid has always been under the institutional framework of Ministry of Commerce, it was not until the establishment of the Ministry of Foreign Economic Cooperation and Trade in 1982 that the Ministry and Chinese enterprises had more autonomy in aid implementation and operation. It means that prior to the 1982, the undertaking units of aid projects did not enjoy any degree of autonomy to make rational and economic decisions based on its own discretion. It was always the discretion of the central government governing the foreign aid deployment pursuant to the diplomatic and ideological concerns. The result of this was the lack of economic incentive and profits in foreign aid projects and generated great burdens on China’s annual fiscal expenditure. With the administrative reform of decentralization in early 1980s, governmental administration had been separated from the enterprise function and gave more space to the Ministry of Foreign Economic Cooperation and Trade and undertaking units of foreign aid for making rational and profitable decisions.

6.1.6 China’s Foreign Aid is Not a Form of Neo-Colonialism

The results of this research indicate that China is not exploiting the Sino-Africa

relations via aid projects, because African governments have their country ownership and bargaining power to seek for the best interests of Africans. Moreover, China's aid projects are products of a bilateral co-operative procedure of government to government negotiation and agreements. In other words, the agreed aid projects are part of the discretion of African governments. In this sense, China's foreign aid is not a neo-colonial activity, because African governments are the Master of their own destiny. Furthermore, there are complementarities between the infrastructure aid from China and the infrastructure needs of African countries. African countries have severe infrastructure deficit and a huge financial gap. On the other hand, China has a competitive infrastructure industry and is willing to outstretch its constructing momentum for reducing the risks of domestic overcapacity. In addition, the AU has a vision of promoting the regional connectivity among African countries and most of the African leaders consider that Africans need to have fast-track trans-boundary energy, transport and even smart infrastructures supported by updated information and communication technology. Not only China has the finance and the capability of building infrastructure, it also has the policy of BRI to enhance the trans-regional and trans-continental connectivity via infrastructures. There is a complementary need for exchange between China and countries from the SSA.

Since the launch of FOCAC in 2000, China has been having a multilateral turn in Chinese aid allocation, which is incongruous to the disputed claims suggesting that Chinese aid is having a neo-colonial agenda. If China is exploiting the Sino-African relationship as a neo-colonial power, it does not have to work with a third party country or an international organization. On the other hand, if China's aid projects are full of predatory acts, exploitation and political domination, it would not be feasible for an UN affiliated Organization such as the UNDP to work with China.

6.1.7 The Chinese Debt-Trap Narrative is Not a Reality

Throughout the analysis, the results indicate that the narrative of China's debt trap is a rhetoric, not a reality. The purpose of providing Chinese loans (including interest-free loan, concessional loan, special loan for commerce and lines of credits) is to encourage Chinese enterprises to go to the developing countries and conduct aid projects mixing with trade and investment. The loan is used to securitize the risks and the possibility of default, so that China's enterprises are more willing to go abroad and make investment. Furthermore, an indebted aid recipient country does not fit the best interests of China's contracting enterprises.

Moreover, China provides debt cancellation and grants. When critics are bombarding about the alleged Chinese debt traps, few have asked the question that if China intends to add up the debt burden among African countries and use it for political leverage, why would it simultaneously cancel the debts and provide grants. Also, the total volume of China's overseas loan is amounted from a range of US\$ 126 billion to US\$ 144 billion from 2000 to 2018. China's loan is not as huge as critics commonly assumed. Furthermore, China is not the largest creditor of African countries. Multilateral institutions and private lenders are larger creditors than China. Hence, it is not plausible to criticize China for the entire debt burden among the African countries.

Among the top ten African borrowers of China, eight of them are considered middle-income countries and only two of them are viewed as low-income countries, including Ethiopia, Republic of Congo. This indicates that China is not aiming at low-income African countries for the leverage of massive loan provision.

Djibouti's external debt is relatively not much and the problem is the debt-servicing

capacity. The poor debt-servicing capacity has always been a problem for many African countries in the SSA and one of the root causes is the inactive economic growth. In addition, it is difficult for the Africans to promote economic opportunities when there is no roads, clean water and electricity and communication technologies. After receiving decades of ODA from the OECD-DAC, the SSA is still suffering from the poor infrastructure, leading to inactive economic growth and resulting in a weak debt-servicing capacity. Unlike OECD-DAC's aid behaviors, China's foreign aid projects provide an alternative model that highlights business opportunities, trade and investment via OOF including loans and credits. More importantly, China's aid projects are mainly focus on infrastructure construction in the SSA and these infrastructures are the backbone of the future economic development. By accepting China's aid projects and loans, Djibouti is expected to gain economic benefits from the Chinese founded infrastructures in the future and reinforce its debt-servicing capacity.

When commentators are criticizing the Chinese loans, little attention has been given to the responsibility and ownership of African governments. China is not responsible for the weak GNI and poor debt-servicing capacity among the recipient countries. If the Chinese aid projects were not beneficial, African policy makers can choose not to accept the deal. Conversely, the reason for African policy makers to accept the Chinese package of aid cooperation is because of infrastructures and opportunities of trade and investment. Moreover, since China accepts payment in kind, bartering and compensation trade, a country with poor records of debt-servicing capacity and weak GNI can still have opportunities to cooperate with China in development aid projects. Therefore, the alleged Chinese debt trap is not yet a reality, but rhetoric.

6.2 Significance of Research

Due to the insufficient exploration of the gap between rhetoric and reality among disputed claims of China's foreign aid behaviors in the SSA, the existing scholarships have been polarized and resulted a lack of understanding of the nature and the content of Chinese aid operation in the SSA. For instance, few research has calculated the total volume of Chinese aid or the volume of Chinese loans. Few research studies have figured out the difference between ODA and OOF in Chinese aid. More importantly, few have known the fact that China's foreign aid model is based on its own experience of development with the OOF provided by developed countries in the 1980s and 1990s. China's resource-backed loans, bartering, compensation trade and other OOF-related activities are not Chinese invention. Therefore, one of the significances of this research is to provide a comprehensive study of Chinese aid in terms of its origin, ideational structure, material structure, workflow, operation and quantity.

Limited research has studied the normative guidance and the institutional mechanism of Chinese aid. China's foreign aid behaviors are not only products of its normative guidance, but also products of its institutional mechanism. Moreover, these two drivers have to jointly work together, so that China's foreign aid projects could be conducted effectively. For instance, China's foreign aid activities were not gaining sufficient economic benefits as expected in the 1980s despite that the normative guidance had shifted from ideological concerns to a more rational and profit-seeking orientation. The reason was the lack of financial support and economic incentive for the Chinese enterprises. It was not until the mid-1990s when China established the Export-Import Bank of China and launched the concessional loan policy to securitize the overseas aid projects, China's foreign aid volume and momentum were gradually

on a surge.

Another significant finding in this research is to separate the rhetoric from the facts of China's foreign aid behaviors in the SSA. Many scholarships, and comments about China's aid behaviors are influenced by the anxiety of the rise of China. Thus, critics tend to explain China's behaviors from a skeptical point of views as if realism is the only approach to study China's aid activities and China is going to become a neo-colonial power in the SSA. This creates an overestimated China threat in the SSA, which is far from the reality, because African governments are not as naïve as people commonly assumed. In addition, China is not the only non-DAC donor in the SSA. India and Russia are also having significant roles in the SSA. The U.S. is still winning China in terms of its ODA and investment to the SSA. Given this, the goal of this research is to separate the rhetoric from the reality, so that we can have a more objective and balanced point of view about China's aid behaviors.

Lastly, bringing the Africa's country ownership back in the discussion is also a significance in this research. Critics often overlook the role of African governments when judging China's aid activities in the SSA. China's foreign aid projects are government to government cooperation. Each aid project requires two bilateral agreements, including a government to government framework agreement and a government to government loan agreement. African policy makers can decline the agreement if the aid project does not serve the best interests of its own people. Moreover, when critics are criticizing the opaqueness of China's aid project, few have realized that the African governments that are involved in the deal also choose not to reveal the content or information of the aid package. Hence, when critics are requesting a more transparent content of China's foreign aid, they should also request the African

governments to be transparent as well. In regard of the alleged Chinese debt trap, critics often forget that it is the discretion of the top African decision makers to accept the loan agreement with China. China is not responsible for an African country's weak GNI and poor debt servicing capacity. Conversely, African government has the responsibility to make the best use of China's aid projects, such as the Chinese founded infrastructures and Chinese capitals and try to build up the economic growth and debt servicing capacity.

6.3 Limitations

There are limitations in this research of China's foreign aid. First, China's data and statistics of foreign aid are still relatively opaque. There are revealed official Chinese data and information, but fragmentation is a serious issue. It is quite challenging to map out the whole scale based on China's revealed data and statistics and difficult to compile the data chronologically. This also becomes a weakness for China to defend its position of foreign aid projects, because attacking on China's opaqueness of data has become a common theme among scholarships, public discourse and media reports. It also makes it difficult to distinguish the facts and myths. Second, there is a lack of access to the key decision makers of China's foreign aid projects. For instance, some of the key decision makers of Chinese aid include Wang Shengwen, Director General of Department of Foreign Assistance of the Ministry of Commerce of the People's Republic of China (MOFCOM), Jiang Wei, Director General of Western Asian and African Affairs of MOFCOM, Wang Xiaotao, Chairman of China International Development Cooperation Agency (CIDCA) and Dai Bing, Director-General of the Department of African Affairs of the Ministry of Foreign Affairs of the People's

Republic of China (PRC).¹¹² It is challenging to reach them and their public discourses or opinions are quite limited. Third, the inconsistent data and statistics are also obstacles and constrain the findings. In this research, the employed data include the China Statistical Yearbook, CARI data at the Johns Hopkins University's School of Advanced International Studies, the AidData, JICA DATA and CIA data. Nevertheless, these data are not consistent to each other. As result, before deconstructing China's foreign aid, we have to make data comparison and select the most reliable data for analysis. Last but not least, the scope of this research is also limited. Since the case study dwells upon the entire SSA, single country study has not been detailed investigated. Each African country represents a different case in the Sino-Africa aid cooperation. As a result, the detailed comparison of different Chinese aid projects are absent in this research.

6.4 Future Research

Since this research attempts to investigate China's foreign aid behaviors in the SSA as a regional case for debunking the rhetoric and reality of the alleged Chinese neo-colonialism and Chinese debt trap, single country study and specific issues of Sino-Africa cooperation have remained unexplored. There are several productive topics for the future research.

¹¹²商務部西亞非洲司，〈內設機構〉，《商務部西亞非洲司》，2019年5月17日，<http://xyf.mofcom.gov.cn/article/gywm/200203/20020300002545.shtml>；商務部對外援助司，〈內設機構〉，《商務部對外援助司》，2015年6月30日，<http://yws.mofcom.gov.cn/article/gywm/201506/20150601028591.shtml>；CIDCA News, "CIDCA Chairman Meets with Laos' Minister of Industry and Commerce," *China International Development Cooperation Agency*, August 6, 2019, <http://en.cidca.gov.cn/latest.html>；Ministry of Foreign Affairs, the People's Republic of China, "Director-General of the Department of African Affairs of the Foreign Ministry Dai Bing Holds Discussion with Journalists of China-Africa Press Center of China International Press Communication Center," *Ministry of Foreign Affairs, the People's Republic of China* April 24, 2018, https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1554606.shtml

6.4.1 The Sino-African Cooperation of ICTs

It has drawn global commentators' attention on China's Information and communication technologies (ICTs) development in African countries. China has been deepening the ICTs cooperation projects with African countries in the past decades in the areas of information infrastructure building, IT application, general telecommunications services, and cyber and information security. The Chinese founded ICT projects have made an impact on the emerging telecommunication industry in Africa and African policy makers are demanding for more ICT investments from China.

“Smart City” is also a highlight in the Sino-African cooperation of ICTs. Chinese telecom powerhouses Huawei and Zhongxing Telecom Ltd (ZTE) have broken the monopoly of Western telecom giants in Africa and provided communications services for over 300 million African users, established more than 40 third-generation telecom networks in more than 30 African countries and built national fiber-optic communications networks and e-government networks for more than 20 African countries by the year of 2010. Given such momentum of China's ICT cooperation with the SSA, this issue area is worth for investigation.

6.4.2 BRI and the SSA

Xi Jinping firstly proposed to build a “Silk Road Economic Belt” on September 7, 2013 when he delivered a speech at the Kazakhstan's Nazarbayev University. The goal of BRI aims to form an overall regional cooperation by strengthening policy communication on economic development strategies, improving road connectivity and transportation network, promoting trade and investment facilitation, enhancing monetary circulation and deepening people to people exchanges. In this context, the

BRI resembles to the long-lasting Chinese aid trinity and development in Sino-Africa relations.

Economic interests and outreaching connectivity are viewed as priorities of the BRI. China is attempting to extend its global connectivity with an emphasis on infrastructure building for accessing new markets, exporting industrial overcapacity and pushing more Chinese enterprises to go outward. Among the three blue economic maritime passages of the BRI, the first passage, the China to Indian Ocean to Africa and to Mediterranean Sea Blue Economic Passage is the most relevant channel connecting China to the African Continent. China has signed BRI cooperation agreements with 37 African countries (see Table 6-1). The development of BRI and African countries is significant for the future research.

Table 6- 1: African Countries Signed BRI Cooperation Agreements with China
As of April 30, 2019

Sudan	South Africa	Senegal	Sierra Leone	Côte d'Ivoire	Somalia	Cameroon	South Sudan
Seychelles	Guinea	Ghana	Zambia	Mozambique	Gabon	Namibia	Mauritania
Angola	Djibouti	Ethiopia	Kenya	Nigeria	Chad	Republic of Congo	Zimbabwe
Algeria	Tanzania	Burundi	Cabo Verde	Uganda	Gambia	Togo	Rwanda
Madagascar	Libya	Egypt	Equatorial Guinea	Liberia			

(Source: 中國一帶一路網,〈已同中國簽訂共建“一帶一路”合作檔的國家一覽〉,《中國一帶一路網》,2019年4月12日, <https://www.yidaiyilu.gov.cn/gbjg/gbgk/77073.htm>)

6.4.3 The Chinese Founded Special Economic Zones in SSA

Currently, there are seven Special Economic Zones in Africa founded by China (see Table 6-2). These special economic zones are Nigeria Ogun-Guangdong Free Trade

Zone, Mauritius Jinfei Economic Trade and Cooperation Zone, Zambia-China Economic and Trade Cooperation Zone, Chambishi Multi-Facility Economic Zones, China-Egypt Suez Economic and Trade Cooperation Zone, Lekki Free Trade Zone of Nigeria, and Ethiopia Eastern Industry Zone. China's state owned enterprises are having significant roles in building these zones, because all these seven economic zones were established and developed by major Chinese state-owned enterprises. These Chinese funded Special Economic Zones deserve more academic researchers in the future.

Table 6- 2: China's Special Economic Zones in Africa and Chinese Enterprises

Nigeria Ogun-Guangdong Free Trade Zone (Approved in 2006)	1. Chinese Developer	Zhongfu Industrial Zone Management Company (Guangdong Xinguang International Group)
	2. Sectors	Construction materials, ceramics, ironware, furniture, hardware, electrical equipment and pharmaceuticals
	3. Number of Enterprises	Estimated In between 34-50
	4. Selected Major Chinese SOEs	1. Guangdong Xinguang International Group
	5. Selected Major Chinese Private Enterprises	1. Hewang Packaging & Printing 2. Wangkang Holding Group Co., Ltd. 3. China Glass Holdings Limited.
Mauritius Jinfei Economic Trade and Cooperation Zone (Approved in 2006)	1. Chinese Developer	Shanxi Investment Group Co Ltd.
	2. Sectors	Textile and apparel, tourism, financial service, product processing, logistics, green energy, training, and real estate.
	3. Number of Enterprises	In between 4-18
	4. Selected Major Chinese SOEs	1. Shanxi Investment Group Co Ltd. 2. Taiyuan Iron & Steel Corporation 3. Shanxi Coking Coal Group 4. Shanxi Tianli Enterprise Co., Ltd.
	5. Selected Major Chinese Private Enterprises	
Zambia-China Economic & Trade Cooperation Zone (Approved in 2007)	1. Chinese Developer	China Nonferrous Metal Mining Group (85% share)
	2. Sectors	Mining and Copper Smelter
	3. Number of Enterprises	In between 29-63
	4. Selected Major Chinese SOEs	1. China Nonferrous Metal Mining Group 2. Chambishi Copper Smelter 3. Jihai Agriculture Investment and Development Group
Chambishi	4. Selected Major Chinese Private Enterprises	
	1. Chinese Developer	China Nonferrous Metal Mining Group

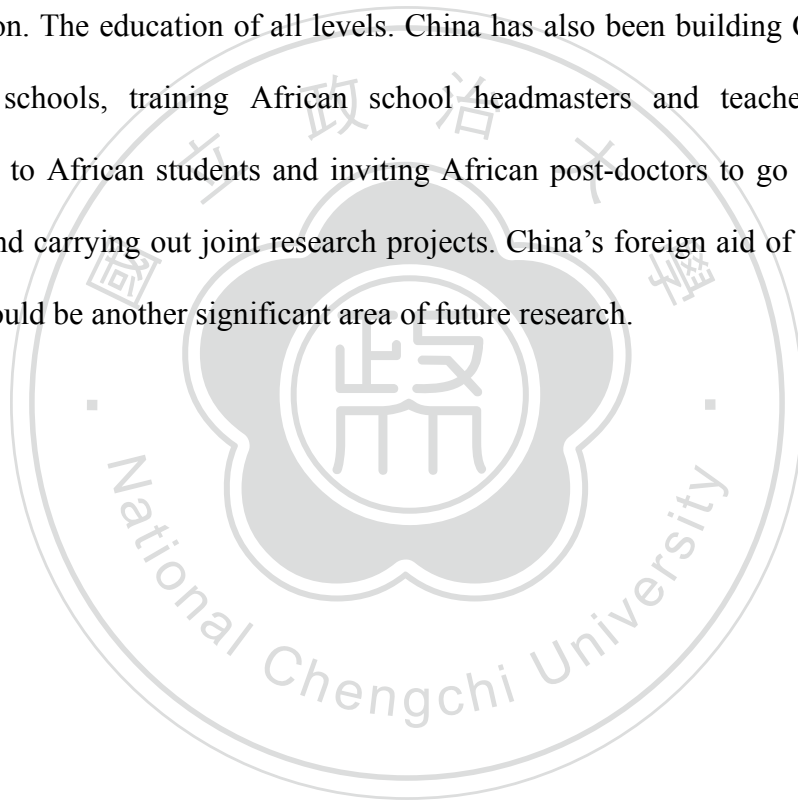
Multi-Facility Economic Zones (Approved in 2007)	2. Sectors	Logistics, Trading, Manufacturing and Processing and Real Estate
	3. Number of Enterprises	In between 14-48
	4. Selected Major Chinese SOEs	1. China Nonferrous Metal Mining Group 2. NFC Africa Mining PLC
	5. Selected Major Chinese Private Enterprises	
	1. Chinese Developer	Tianjin TEDA Investment Holding (60% share) China-Africa Development Fund (40% share) Petroleum equipment, car equipment, garments, textile industry, electrical apparatus, construction materials and chemistry products
China-Egypt Suez Economic and Trade Cooperation Zone (Approved in 2007)	2. Sectors	
	3. Number of Enterprises	In between 32-70
	4. Selected Major Chinese SOEs	1. Tianjin TEDA Investment Holding 2. China XD Group 3. China Textile Machinery (Group) Co., Ltd.
	4. Selected Major Chinese Private Enterprises	1. Zhenshi Holding Group 2. Honghua Group Limited China-Africa Lekki Investment Ltd. with 60% share. (Composed by China Railway Construction Corporation Ltd., China-Africa Development Fund, China Civil Engineering Construction, Nanjing Jiangning Economic and Technologic Development Corporation)
	1. Chinese Developer	Manufacture, logistics, transportation, equipment, telecommunication, engineering plant, tourism, real estate
Lekki Free Trade Zone of Nigeria (Approved in 2007)	2. Sectors	In between 36-50
	3. Number of Enterprises	
	4. Selected Major Chinese SOEs	1. Jiangsu Yulong Steel Pipe Co.,Ltd.
	5. Selected Major Chinese Private Enterprises	1. Jiangsu Longliqi Group Co.,Ltd. 2. Yuan Long (Fujian) Commodity Co., Ltd.
	1. Chinese Developer	Jiansu Yongyuan Investment Co., Ltd. Textile and apparel, footwear, electronic equipment, constructional materials
Ethiopia Eastern Industry Zone (Approved in 2007)	2. Sectors	In between 20-50
	3. Number of Enterprises	
	4. Selected Major Chinese SOEs	1. Jiansu Yongyuan Investment Co., Ltd. 2. Jiangsu Yonggang Group Co Ltd. 3. Zhangjiagang yangyang pipe-making company
	5. Selected Major Chinese Private Enterprises	3. Zhangjiagang Trade Zone Jianglian International Trading Co., Ltd. 4. Huajian Group 5. Jiahua Aluminium Co.,Ltd 6. Sansheng Pharmaceuticals Plc

Sources: Composed by the Author and adapted from 陳宏勝，王興平，陳劍鋒，〈中非經貿聯繫暨中國開發區經驗的非洲實踐〉，《上海城市規劃雜誌》，2015年第6期，頁97-103；劉晨，葛順奇，〈中國企業對非洲投資：經濟增長與結構變革〉，《國際經濟評論》，2018年第5期，頁9-31；Nelson Santos Antonio and Shaozhuang Ma, “China’s Special Economic Zone in Africa: Context, Motives and Progress,” *Euro Asia Journal of Management* Vol. 55 No. 25 (2015), pp. 79-103; Douglas Zhihua Zeng, “Multi-facility Economic Zones in Zambia: Progress, Challenges and Possible

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6.4.4 The Sino-Africa Human Resource Cooperation

Human resource cooperation has been an intensified project in China’s foreign aid deployment to African countries. It contains three major areas. The professional training for governmental personnel, specialists and technicians. The higher education collaboration. The education of all levels. China has also been building China-Africa friendship schools, training African school headmasters and teachers, granting scholarship to African students and inviting African post-doctors to go to China for research, and carrying out joint research projects. China’s foreign aid of education to the SSA would be another significant area of future research.





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