

Becoming a Donor:

National Role Conception, Reform Dynamics and Learning in China's Foreign Aid System

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All remaining errors are my own.

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Abbreviations

ADB	Asian Development Bank
ADBC	Agricultural Development Bank of China 中国农业发展银行
AIBO	Academy for International Business Officials (MOFCOM) 商务部培训中心
AIECO	Agency for International Economic Co-operation (MOFCOM) 国际经济合作事务局
AIIB	Asia Infrastructure Investment Bank
ATDC	Agricultural Technology Demonstration Centres 农业技术示范中心
BAPA	Buenos Aires Plan of Action for Promoting and Implementing Technical Co-operation among Developing Countries
BJP	Bharatiya Janata Party
BMZ	German Federal Ministry of Economic Co-operation and Development (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung)
BRI	Belt and Road Initiative 一带一路
BRI-DSF	Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative 一带一路债务可持续性分析框架
BRICS	Brasil, Russia, India, China, South Africa
CADF	China-Africa Development Fund 中非发展基金
CAICCF	China-Africa Industrial Capacity Co-operation Fund 中非产能合作基金
CAITEC	Chinese Academy of International Trade and Economic Co-operation (MOFCOM) 国际贸易经济合作研究院
CASAS	Chinese Association for South Asian Studies 中国南亚学会
CASS	Chinese Academy of Social Sciences 中国社会科学院
CBIRC	China Banking and Insurance Regulatory Commission 中国银行保险监督管理委员会
CBRC	China Banking Regulatory Commission 中国银监会
CCDI	Central Commission for Discipline Inspection 中国共产党中央纪律检查委员会
CCP	Chinese Communist Party 中国共产党
CCPCC	Central Committee of the Chinese Communist Party 中共中央委员会
CCTV	China Central Television Station 中央电视台
CDB	China Development Bank 中国进出口银行

CFAC	CCP Central Foreign Affairs Commission 中央外事工作委员会办公室
CFAU	China Foreign Affairs University 外交学院
CGTN	China Global Television Network
CICETE	China International Centre for Economic and Technical Exchanges 中国国际经济技术交流中心
CICIR	China Institute for Contemporary International Relations 中国现代国际关系研究所
CIDCA	China International Development Co-operation Agency 国家发展合作署
CIRC	China Insurance Regulatory Commission 中国保险监督管理委员会
CMFA	Chinese Foreign Ministry Archives 中华人民共和国外交部档案馆
CPEC	China-Pakistan Economic Corridor 中国-巴基斯坦经济走廊
COMECON	Council of Mutual Economic Assistance
COMPLANT	China Complete National Compete Plant Export Corporation 成套设备出口公司
DAC	Development Assistance Committee of the OECD
DOIEC	Department of Outward Investment and Economic Co-operation (MOFCOM) 对外投资和经济合作司
DITEA	Department of International Trade and Economic Affairs (MOFCOM) 国际经贸关系司
DFA	Department of Foreign Aid (MOFCOM) 对外援助司(援外司)
DFC	US International Development Finance Corporation
DFID	Department for International Development of the United Kingdom
DPRK	Democratic People's Republic of North Korea
ECCO	Economic and Commercial Counsellor Offices (MOFCOM) 经济商务处
EIB	European Investment Bank
EU	European Union
Exim Bank	China Export-Import Bank 中国进出口银行
FDCC	China Friendship Development International Engineering Design & Consultation Co. 中国友发国际工程设计咨询有限公司
FOCAC	Forum of China-Africa Co-operation 中非合作论坛
FRUS	Foreign Relations of the United States
GDPC	Global Development Policy Center at Boston University
GDP	Gross Domestic Product
GIZ	German Agency for International Co-operation (Gesellschaft für Internationale Zusammenarbeit)
GLF	Great Leap Forward

GNI	Gross National Income
GNP	Gross National Product
GDP	Gross Domestic Product
HSBC	Hongkong-Shanghai Banking Corporation
IBRD	International Bank for Reconstruction and Development
ICD	International Co-operation Department (MoA) 国际合作司
IDA	International Development Association
IFB	CASS Institute of Finance and Banking 金融研究所
IMF	International Monetary Fund
IR	International Relations
IWEP	CASS Institute of World Economics and Politics 世界经济与政治研究所
JBIC	Japan Bank for International Co-operation
JICA	Japan International Co-operation Agency
JICA-RI	Japan International Co-operation Agency Research Institute
KfW	German Development Bank Kreditanstalt für Wiederaufbau
LDCs	Least Developed Countries
MDBs	multilateral development banks
MDGs	Millennium Development Goals
MERICs	Mercator Institute for China Studies
MFA	Ministry of Foreign Affairs 外交部
MFEL	Ministry of Foreign Economic Liaison 对外经济联络部
MoA	Ministry of Agriculture 农业部
MOF	Ministry of Finance 财政部
MOFCOM	Ministry of Commerce 商务部
MOFERT	Ministry of Foreign Economic Relations and Trade 对外经济贸易部
MOFT	Ministry of Foreign Trade 对外贸易部
MOFTEC	Ministry of Foreign Trade and Economic Co-operation 对外贸易经济合作部
MOE	Ministry of Education 教育部
MOH	Ministry of Health 卫生部
MOST	Ministry of Science and Technology 科技部
MSS	Ministry of State Security 国家安全部
NATO	North Atlantic Treaty Organisation

NDB	New Development Bank
NDRC	National Development and Reform Commission 国家发展和改革委员会
NTU	National Taiwan University 国立台湾大学
PRC	People's Republic of China 中华人民共和国
PRSPs	Poverty Reduction Strategy Papers
RMRB	Renmin Ribao 人民日报 (People's Daily)
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation of Economic Co-operation and Development's Development Assistance Committee
ODA	Official Development Assistance
ODF	Official Development Finance
ODF-CC	Official Development Finance with Chinese Characteristics
OSINT	Open Source Intelligence Techniques
PBOC	People's Bank of China 人民银行
RMB	Renminbi, also Chinese National Yuan (CNY)
RMRB	Rinmin Ribao, People' Daily
ROC	Republic of China
SAFE	State Administration on Foreign Exchange 国家外汇管理局
SAIS-CARI	China-Africa Research Initiative at the Johns Hopkins School of Advanced International Studies
SAPs	Structural Adjustment Programs
SAT	State Administration of Taxation 国家税务总局
SCIO	State Council Information Office 国务院新闻办公室
SDGs	Sustainable Development Goals
SEATO	Southeast Asia Treaty Organization
SOEs	state-owned enterprises
TAZARA	Tanzania-Zambia Railway
TCDC	Technical Co-operation among Developing Countries
TICAD	Tokyo International Conference on African Development
TUFF	Tracking Underreported Financial Flows
UN	United Nations
UNDP	United National Development Programme
UNIDO	United Nations Industrial Development Organization
US	United States
USAID	Unites States Agency for International Development
USSR	Union of Soviet Socialist Republics, Soviet Union

Notes to the Reader

Chinese texts and terms

All Chinese texts and terms, as well as personal names and places, are given in simplified Chinese characters 简体字.

Names

Chinese personal names are generally provided in Hanyu Pinyin and simplified Characters in the traditional sequence LAST name, FIRST name for persons living or born in China. Example: Deng Xiaoping 邓小平. For persons not based in China, names are provided in the form that is used by the person in her or his own publications, with the traditional sequence added in brackets. If the person does not use Hanyu Pinyin, Hanyu Pinyin is added in brackets. If known, Chinese characters are added. Example: Shu Guang Zhang [Zhang Shuguang 张曙光] or Denghua Zhang [Zhang Denghua 张登华].

Names of Institutions

Names of institutions in China are provided in translation, standardly used abbreviations and Chinese Characters when they appear for the first time. Example: Ministry of Commerce (MOFCOM) 商务部. Thereafter, they are provided in abbreviation.

Titles of Publications

Titles of publications in Chinese in the main text are provided in Hanyu Pinyin, Chinese Characters and translation when they appear for the first time. Example: *Renmin ribao* 人民日报 (*People's Daily*). Thereafter, they are provided in Hanyu Pinyin and translation. Example: *Renmin Ribao* (*People's Daily*).

Translations

If no source is indicated, translations are my own.

Bibliography

The bibliography adheres to the Chicago Manual of Style with the amendment of adding the Chinese characters to the Chinese author's given name in Hanyu Pinyin if the in-text citation of the source was published in Chinese. Example: (Deng Xiaoping 邓小平 1980), (Zhao Suisheng 2012).

Introduction

The People's Republic of China (PRC)¹ has emerged as one of the major donors in international development co-operation.² The nearly exponential rise in Chinese development finance since the turn of the Millennium has sparked an intense debate in the international, still predominantly Western, development community on the implications of China's "rise".

The debate took off in 2006 after the 3rd Forum on China Africa Co-operation (FOCAC) that took place in Beijing and was attended by 48 African countries. Then, China had offered African countries more than 10 billion US-Dollar development finance for the period 2007-2009 (FOCAC 2006) – a figure that analysts estimated to be higher than World Bank aid to Africa for the same period (Manning 2006).³ A year earlier, China had shaken up the imaginary hierarchies in the landscape of international development co-operation when it offered Angola, which at the time negotiated an aid agreement with the International Monetary Fund (IMF), an aid package with a 2 billion US-Dollar resource-backed loan. The IMF, along with Western donor countries, had been pressing Angola to improve the transparency of its oil sector and made corresponding reforms a condition for aid funds. Angola rejected the IMF's conditions; China won the bid in exchange for oil exploration rights.⁴ Angola (along with Nigeria) was back then the biggest oil producer in West Africa and provided the United States with 15% of its total oil imports (Lyman 2005).

"Will 'Emerging Donors' Change the Face of International Co-operation?" This question was posed by Richard Manning, chair of the **Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC)** in 2006. What he had in mind, primarily, was, of course, China. The OECD essentially represents higher-income

¹ In the following: China.

² Compared with the Official Development Assistance (ODA) flows of the top nine members of the Organisation of Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) as well as top non-DAC providers Turkey and the United Arab Emirates, in 2018, China ranked at number 7 in terms of net disbursements and at number 8 on a grant equivalent basis (Kitano 2019, 3).

³ Along with the provision of development assistance, China offered African countries 5 billion US-Dollar in preferential loans and preferential export credits and announced the establishment of the China-Africa Development Fund (CADF) with an initial capitalisation of 5 billion US-Dollar. The estimates that Chinese aid-related commitments were higher than the World Bank's were later proven incorrect by the researchers at the China-Africa Research Initiative (CARI) at the Johns Hopkins University School of Advanced International Studies (SAIS) (Hwang, Brautigam, and Eom 2016).

⁴ For a detailed analysis of the Angola case, see Chapter 4 in Deborah Brautigam's *The Dragon's Gift* (Brautigam 2009, 273 ff.)

economies, and the DAC traditionally has the largest share of globally available bilateral aid.⁵ Except for Japan and South Korea, all OECD-members are Western countries (OECD 2019d). Established in 1961, the DAC defined (and still defines) itself as “the leading international forum for bilateral providers of development co-operation” taking “key decisions on and set[ing] standards for development co-operation” and helping “to shape the international development agenda” (OECD 2019b). In 2006, China not only challenged the “normative projection of a global d/Development axis” (Mawdsley 2017, 108) with a “global North” that was a charitable provider of knowledge and assistance and a “global South” that was a recipient of both – it also challenged the established “rules.”

The DAC adopted an “Outreach Strategy”, trying to familiarise China with its norms and practices by way of inviting China to act as an observer on OECD-DAC peer reviews and setting up the China-DAC study group in 2009 – hoping to convince China to adhere to its official development assistance standards for donor countries (Manning 2008, 15). China, for its part, a signatory to the Paris and Accra Agreements as a recipient, rejected any formal commitment. Chinese officials argued that China was still a developing country and that its development assistance was a case of South-South Co-operation, namely mutual assistance among developing countries.

Fast forward to October 2018. The United States just passed a bill to create the new U.S. International Development Finance Corporation (USIDFC), which would provide 60 billion US-Dollar in loans, loan guarantees, and insurance to U.S. companies willing to invest in developing countries - particularly in Africa (Moss and Collinson 2018). The proposed funding matches the amount China had offered to African countries during the 2018 FOCAC-Summit (*Reuters* 2018b). China has not only upped its development finance to Africa, offering 60 billion US-Dollar at each of the 2018 Beijing and 2015 Johannesburg summits, but in 2013, the then newly appointed Chinese President Xi Jinping had also launched the “Belt and Road Initiative” (*Yidai yilu* 一帶一路), a massive scheme to connect China with the rest of the world.⁶ At the same time, U.S. President Donald Trump threatens at the United Nations

⁵ The OECD has now 35 members following a round of expansion in 2010 when Chile, Estonia, Israel, and Slovenia became members. All but five countries are also members of the DAC (Hungary was the latest one to join in December 2016).

⁶ The official translation of *Yidai yilu* 一帶一路 was changed from One Belt One Road OBOR to “Belt and Road Initiative” (BRI) in 2016 to avoid misinterpretations (Bērziņa-Čerenkova 2016), as the initiative referred to six land transport corridors (“road”) and one maritime transport corridor “belt.”

General Assembly that America will “only...give foreign aid to those who...are our friends”. The United States is engaged in a trade war with China, and many observers believe the threat to cut off aid is directed at recipients of Chinese development finance.

The binaries are escalating, and the story of Chinese aid has become a global story. Except, as this thesis will show, it has always been a global story.

State of the Art and Research Lacunae

The Australian development scholar Philippa Brant, who wrote her doctoral dissertation on Chinese foreign aid and its implications for the international aid regime, observed in the preface to her thesis that in 2009, when she started writing, “very little was known about Chinese aid – how much, to whom, how and why it is given” (Brant 2012, 18). Since then, the research field has expanded almost as exponentially as Chinese aid in just over a decade. This wave of new scholarship was certainly fueled by some of the following: Beginning with the publication of the first White Paper on *China’s Foreign Aid* (*Zhongguo duiwai yuanzhu* 中国对外援助) in 2011 (SCIO 2011a), the Chinese government began to disclose information that had previously been treated as secret. Furthermore, the development of the internet opened access to information on a previously unimaginable scale. Finally, globalization facilitated face-to-face exchanges, allowing multicultural teams of non-Chinese and Chinese to conduct research together and enabling the rapid translation of Chinese-language data as a source for new research.

Early research on Chinese aid was primarily motivated by concerns about the potential negative implications of China’s emerging presence for prevailing development consensus. Emma Mawdsley (2012b, 262–63) observed in 2012 that analyses of China (and other non-DAC donors) principally revolved around three sets of questions: (i) what direct and indirect impacts Chinese aid would have on poverty reduction, development, and well-being of recipient countries;⁷ (ii) what impact China’s growing presence and role would have on the dominant aid architecture, norms and practices (Manning 2006; De Haan 2011); and (iii) what part China would play in the economic and geopolitical changes unfolding globally? Most

⁷ Poverty reduction in developing countries was the highest priority on the United Nations development agenda, expressed in the Millennium Development Goals (MDGs) (OECD/DAC 2005). In the Sustainable Development Goals (SDGs) adopted in 2015, it became a secondary priority, giving more weight to macro-level issues such as maintaining and establishing global public goods (Loewe 2012).

warned against potential negative implications of Chinese aid. A notable exception to the mainstream was Deborah Brautigam's *Dragon's Gift* (2009) which analysed China's interactions with Africa. She argued that the Chinese aid model "exported" what China believed was the success factor in its own development – namely, infrastructure development in particular – and that this could foster the developmental needs of those recipient countries that were largely neglected by DAC donors.

As the field evolved, new research produced empirical information and case studies that helped debunk earlier assumptions and provide nuanced accounts of China's development footprint. A dominant strand of research is concerned with estimates of China's official development finance flows and their implications. The Chinese government does not release detailed figures on its development finance flows or cross-border project lending.⁸ To address the lack of data, several research teams have begun to collect data independently, using open-source data and media reports to generate estimates. The AidData⁹ project, a collaboratorium of several European and American researchers, has compiled an open-access Global Chinese Official Development Finance Dataset, covering China's official development spending from 2000-2014.¹⁰ Using these data, the researchers involved have measured the impact of Chinese aid on economic growth (Dreher et al. 2017),¹¹ and on the geographic distribution of economic activity (Bluhm et al. 2018),¹² and they have scrutinised determinants and drivers of aid allocation (Dreher et al. 2014; Dreher and Fuchs 2015; Dreher et al. 2018).¹³ The research team

⁸ The only notable exception are the projects of the China-Pakistan Economic Corridor (CPEC): The Pakistan-China Institute and China Radio International have jointly set up an online information platform that lists transportation, energy, and port infrastructure projects under the initiative, including varying levels of detail regarding progress and financing. Project data is accessible on CPEC's homepage www.cpecinfo.com/home.

⁹ Accessible via <http://www.aiddata.org>, databases accessible via <https://www.aiddata.org/datasets>.

¹⁰ The database is based on the Tracking Underreported Financial Flows (TUFF) methodology, which uses public, official, media and other openly accessible sources to identify official development projects.

¹¹ They estimate that Chinese official development assistance (ODA) boosts economic growth in recipient countries, with on average one additional Chinese ODA project contributing to a 0.7 percentage point increase in economic growth two years after the project is committed. Comparing the results with OECD-DAC ODA, they find that both - Chinese and DAC ODA have positive effects on economic growth, while they did not find robust evidence that World Bank aid promotes growth. Similarly, they find no evidence for the claim that aid or loans from China impair the effectiveness of aid and loans from Western donors and lenders.

¹² The results suggest that Chinese investments in connectivity infrastructure, in particular, reduce economic inequality within and between subnational localities and lead to a more equal distribution of economic activity where they are implemented.

¹³ The authors don't find evidence for the widely circulated assumption that China gives aid primarily to resource-rich countries or favours corrupt or authoritarian regimes (see, e.g., Naim 2007). But they do find strong support for the "Taiwan Factor," namely that countries that do not recognise Taiwan receive more Chinese development finance. However, this appeared to be less the case for less concessional forms of development finance.

around Deborah Brautigam at the China-Africa Research Initiative at the Johns Hopkins School of Advanced International Studies (SAIS-CARI)¹⁴ has created a database of Chinese Global Foreign Aid Expenditure (2003-2017) and Chinese Loans to African Governments (2000-2017).¹⁵ Related publications analyse the broader impact of Chinese official lending to Africa (Hwang, Brautigam, and Eom 2016), as well as its impact on specific sectors like skill development (X. Tang 2019; Meng and Nyantakyi 2019) or agriculture (Brautigam 2015a; Zhou 2018). Kitano Naohiro 北野尚宏 of the Japan International Co-operation Agency (JICA) Research Institute (Kitano and Harada 2014; Kitano 2016, 2018a, 2019)¹⁶ provides regularly updated estimates of the net, and gross disbursement of China's foreign aid, which are used as a proxy indicator of official development assistance (ODA) as defined by the DAC.¹⁷ His most recent estimates conclude that at least about one half of what China earmarks as "foreign aid" (*duiwai yuanzhu* 对外援助) is equivalent to DAC-ODA (2019, 2), a significant increase as compared to the earlier (up to 2016) figure of about 30% observed both by him and the AidData team. The Global Development Policy Center (GDPC) at Boston University¹⁸ hosts a database that records the annual flow of loan contracts by China's two policy banks: the China Development Bank (CDB; *Guojia kaifa yinhang* 国家开发银行) and the China Export-Import (Exim) Bank (*Zhongguo jinchukou yinhang* 中国进出口银行) (Jin, Ma, and Gallagher 2018) and China's Global Energy Finance database, which tracks CDB's and Exim's financing for global energy projects (Ma, Gallagher, and Bu 2019).

Several scholars have examined how Chinese development finance differs from Western-backed development finance institutions. Gregory Chin and Kevin Gallagher (2019) find that

¹⁴ SAIS-CARI is accessible online at www.sais-cari.org.

¹⁵ SAIS-CARI also hosts data on China-Africa trade, Chinese investment, contracts and workers in Africa, and Chinese agricultural investment.

¹⁶ Kitano's work is part of the JICA research project "Comparative Study on Development Co-operation Strategy: Focusing on G20 Emerging Economies". All related research findings, covering not only China but also other emerging donors, can be accessed via the project website http://www.jica.go.jp/jica-ri/research/strategies/strategies_20121101-20140930.html.

¹⁷ Although the DAC is a diverse group, there are core aspects on that DAC members do firmly agree: (1) ODA must be undertaken by the official sector, it must have the promotion of economic development and welfare as the main objective, and it must be on concessional terms; (2) Recommendations on terms (at least 86% of ODA are grant) and tying (non-tied financial aid and investment-related co-operation to the least developed countries) for good development practice; (3) DAC guidance on good practice; (4) Paris Declaration of 2005 commitments on aid effectiveness regarding ownership, alignment to local priorities and local delivery channels, harmonization, and simplification of donor procedures, result orientation, and mutual accountability. (OECD/DAC 2009, 2017)

¹⁸ The GDPC database is accessible online at www.bu.edu/gdp/initiatives/gci/.

China follows a “coordinated credit space model”, which blends official finance from policy banks with commercial banks and large Chinese (mostly state-owned) enterprises. While the lending terms in China-backed multilateral development banks (MDBs), the BRICS¹⁹ New Development Bank (NDB), and the Asia Infrastructure Investment Bank (AIIB), are largely aligned with those of Western-led MDBs (e.g. the World Bank), Chinese bilateral lending is based on Chinese standards or the standards of the recipient countries. This, they argue, has triggered a competitive response from Western actors, even though much of Chinese development finance flows to countries and sectors where Western development finance is less present. Chen Muyang 陈沐阳 (2018a) has examined the lending mechanisms of the two policy banks, CDB and Exim Bank, to show how and why China mixes the use of official aid and export credits.²⁰ The Chinese state uses development finance as a door-opener and a guarantee for otherwise commercial activities, albeit with development intent (such as infrastructure development). She notes that Chinese contractors implementing the projects are not competing with Western-backed development finance but with other Chinese actors. For similar reasons, Cheng Cheng 程诚 (2015) suggests that OECD’s (2009) definition of “Official Development Finance” (ODF) – defined as the sum of (a) bilateral official development assistance (ODA), (b) grants and concessional and non-concessional development lending by multilateral financial institutions, and (c) other official flows (OOF) for development purposes (including refinancing Loans) which have too low a grant element to qualify as ODA – offers a better starting point for conceptualising Chinese development finance flows than the definition of ODA.²¹

The Chinese aid model has been studied mainly by scholars in Asia. Shimomura Yasutami 下村恭民 and Wang Ping 王平 (2012, 2015) conceptualise Chinese aid as part of a shared “East Asian Aid Model”. They argue that the interlinking of aid with trade and investment which was cast into the *Da jingmao zhanlüe* 大经贸战略 (*Grand Strategy of Economy and*

¹⁹ BRICS is an acronym for the five countries Brazil, Russia, India, China, South Africa (Smith 2011).

²⁰ Export Credits are loans/guarantees offered by an official agency.

²¹ Based on case studies of Chinese official projects in Africa, he proposed the term “Official Development Finance with Chinese Characteristics” (ODF-CC), which consists of (1) the financial flow is from the Chinese state, whether it is from the government budget or state-owned policy banks; (2) the flow must be used primarily for economic growth and improving the social welfare of the receiving country; (3) for loans, the flow must have some level of concessionality, which means that the total costs for the recipient country of receiving the loan from China must be lower than the cost for the recipient country of obtaining loans of the same scale on the international financial market (meaning, a grant element is required, but its scale may vary) (C. Cheng 2015, 205).

Trade) in 1994 by then Minister of Trade and Economic Co-operation Mme. Wu Yi 吴仪, has substantially borrowed from the Japanese “Trinity Development Co-operation” model. The Japanese approach integrated official development assistance with other official flows and private finance, creating a strong link between aid, trade and investment. In 1979, Japan was the first country to provide ODA to China (Katada 2001, 49). Japanese aid consisted mainly of low-interest loans that financed the import of industrial technology and materials from Japan in exchange for exports of Chinese crude oil and coal.²² This form of “barter trade” (*buchang maoyi* 补偿贸易), as Brautigam quotes a Chinese commentator, allowed “the construction of an oilfield [to] be paid by oil” (2009, 47).²³ Machiko Nissanke and Shimomura (2013, 25) point out that Chinese officials were impressed by the fact that Japan’s investment in China’s infrastructure and industrial development made significant contributions to China’s development objectives while at the same time helping Japan’s own industry to internationalise. Brautigam (2009, 56) notes that precisely for these reasons, the Japanese approach later served as a model for China’s foreign aid to African countries. Japan itself faced similar critiques during the 1980s and 1990s (particularly from the United States) as China since the mid-2000s. It was also attacked for being too commercial, too lacking in development orientation, and too focused on infrastructure (Lancaster 2007, 110–42). Watanabe Shino 渡辺紫乃 (2013) argues that the Chinese aid model has not only been influenced by Japan after 1979 but also by Soviet aid in the 1950s. Soviet loans had regularly been “tied” to the purchase of commodities and military materials from the Soviet Union; the Soviet Union also provided technical experts who took over the responsibility for carrying out aid projects. But throughout the process, the Chinese leadership assumed ownership over the assistance by making sure that aid projects were aligned with and supported its own strategy for building the new PRC (Watanabe 2013, 88–89). Zhang Yanbing 张严冰, Jing Gu and Yunnan Chen [Chen Yunnan 陈韵楠] (2015, 10–12) see the Chinese aid model as having been shaped by three factors: (i) China’s interpretation of Marxism, namely the idea that “the development of human society is essentially the

²² Watanabe Shino (2013, 100) argues that the Japanese government was eager to support China’s modernisation policy because it believed it would be beneficial to Japan, and it also feared that Deng’s position would be compromised if the reforms failed.

²³ Brautigam quotes here a 1980 statement by the Vice-Minister of the State Import and Export Regulation Commission (国家进出口管理委员会): “[T]he construction of an oilfield will be paid for with oil, construction of a coal mine will be paid for with coal, and construction of a factory will be paid for with the products of the factory.” (Original source: “Chinese Import-Export Commission Vice-Minister on Economic Co-operation,” *Xinhua*, April 10, 1980.)

development of productive forces, or technology and innovation”; (ii) the experience of being a recipient - first of Soviet aid, which abruptly stopped after the Sino-Soviet split; then of DAC aid; and (iii) also by China’s “historical experience of colonialism[,] domination by other primarily Western countries, [and] threats to its sovereignty and autonomy”. Lauren Johnston and I have used an interdisciplinary approach to connect the above research on different factors that have shaped the Chinese aid model with research on China’s domestic economic development during the 1990s and with economic research on Africa during the same period (Johnston and Rudyak 2017). Based on this combined evidence, we argue that the integration of aid with trade and investment was facilitated by simultaneous shifts that occurred outside China: China became a net oil importer in 1993, while its exports of machinery and electronics began to surpass those of textile and clothing. While China was looking for new export markets and sources of oil and minerals, in Africa, the end of Apartheid in South Africa in 1994 brought relative macroeconomic stability to the entire region. In parallel, following the collapse of the Soviet Union and the economic recession, DAC ODA flows to Sub-Saharan Africa dropped by 40% during the 1990s, while aid conditionality increased (Mold 2009, 31). Such was the broader context when Chinese president Jiang Zemin 江泽民 (1926-) visited the headquarters of the Organisation of African Unity in 1996 to propose a new concept of “comprehensive co-operation” that included joint ventures and concessional loans and that opened the doors to the emergence of China’s own version of “Trinity Development Co-operation”.

Several interview-based doctoral dissertations and studies have provided insights into specific aspects of China’s foreign aid system. Denghua Zhang [Zhang Denghua 张登华] (2017) analysed the factors driving China’s growing engagement in trilateral co-operation. Zhang and Graeme Smith (2017) have provided a detailed analysis of Chinese government institutions currently involved in foreign aid. Lina Benabdallah (2017) has analysed the role of human resource development programs in Chinese foreign policy in Africa and their importance in the accumulation of relational power. Lucy Corkin (2012) has studied the roles and interactions of the three main bureaucratic actors of Chinese foreign aid, the Ministry of Commerce (MOFCOM; *Shangwubu* 商务部), the Ministry of Foreign Affairs (MFA; *Waijiaobu* 外交部), and the China Exim Bank in Chinese-aided projects in Africa.

For the history of Chinese aid, Shu Guang Zhang’s [Zhang Shuguang 张曙光] (2001) volume *Economic Cold War*, based on declassified archival material from the United States and China, illustrates the diplomatic interactions between the Chinese Communists and U.S. envoys in China during the Chinese Civil War (1945-1949). Zhang’s work served as an

important starting point for my own research, which led me to other newly available sources and helped me to map the extent to which China's early foreign aid was a response to the diplomatic isolation and economic embargo that China faced after the Communists took power in 1949.

Only very few works deal specifically with the historical origins of Chinese aid. Despite the fact that today a lot of archival material on Chinese aid during the Mao era is openly accessible, either on webpages maintained by the Chinese government or in specialist databases, a deepened primary-source-based study is yet to be produced. John F. Copper's (2016a) three-volume series *China's Foreign Aid and Investment Diplomacy* provides a very detailed and comprehensive overview of its nature, scope and origins (volume I), history and practice in Asia, 1950-present (volume II), and China's strategy beyond Asia and challenges to the United States and the international order (volume III). It thus constitutes useful reference work. However, Copper relies almost exclusively on secondary and translated sources (the nearly 40-page bibliography contains only two original Chinese references). The sections dealing with the Mao era are largely based on Copper's earlier (1976) book *China's Foreign Aid: An Instrument of Peking's Foreign Policy*, which, as far as Chinese sources are concerned (owing to the lack of accessibility at the time) is entirely based on articles from the *Beijing Review*, the official English-language magazine of the Chinese government aimed at a foreign audience.²⁴ Copper thus adopts the image projected by the *Beijing Review*, namely that Chinese aid was mainly guided by ideology and shaped by Mao,²⁵ and maintains this outlook in his 2016 publication without revising his assumption considering newly available primary sources.²⁶ In Chapter 1, I will show how the study of these newly accessible sources redraws the picture and that Copper's assumption that Chinese aid was primarily guided by ideology and shaped by Mao neglects other critical factors, which I will discuss in more detail.

²⁴ Copper's book was preceded by Milton Kovner's (1967) "Communist China's Foreign Aid to Less-Developed Countries," which was considered by his contemporaries to be the first serious study of Chinese, and focused on the competition between China and the Soviet Union for the developing world after the Sino-Soviet split.

²⁵ Copper was criticized by contemporary reviewers for the implicit assumption that Chinese aid and foreign policy were chartered almost exclusively by Mao Zedong or his writings, for his related focus on bloc patterns because the focus of the Communist bloc in aid was abandoned beyond the 1950s, and for his failure to integrate his observations of foreign aid with the process of foreign policy development and implementation (Grow 1977a; Deckers 1978).

²⁶ Nonetheless, Copper's 1976 conclusion that the main goals of Chinese aid were to secure China's borders, develop trade relations to further economic growth, and gain international recognition is consistent with later primary sources and evidence-based research, e.g. by Fuchs and Rudyak's (2019) on the motives of Chinese aid. It is the dominant role of "ideology" where later research disagrees.

I would also like to mention two important Chinese research works. The first one is *Dangdai Zhongguo de duiwai jingji hezuo* 当代中国的对外经济合作 (*Foreign Economic Co-operation of Contemporary China*), edited by the former vice-minister of the CCPCC Foreign Economic Liaison Department (*Zhonggong zhongyang duiwai jingji lianluobu* 中共中央对外经济联络部) Shi Lin 石林 (1989). It is the earliest systematic and, to date, probably the most comprehensive Chinese compilation on the history of Chinese aid, covering the period from 1950 to 1987. As its title suggests, the volume is not exclusively concerned with aid but with “foreign economic co-operation” (*duiwai jingji hezuo* 对外经济合作), which at the time of the book’s publication included “foreign economic and technical aid” (*jingji jishu yuanzhu* 经济技术援助) – in addition to foreign investment, foreign trade and the receipt of economic and technical assistance through the UN development system, international organisations and bilateral donors (Shi Lin 石林 1989, 3). Yet, the editor dedicates the first chapter and about half of the 600 pages volume to China’s “Foreign Economic and Technical Aid”, covering its history from the beginning till the early 1980s; the evolution of the aid management system; a detailed description of design and management of complete-set projects including an assessment of results in agriculture, textile, light industry, energy, communications and construction of public facilities; technical assistance; sending of medical teams; and management of foreign aid personnel. In addition, the final section of the book presents a detailed chronicle of events, including agreements, meetings, and speeches. The volume is probably the most comprehensive compilation on the history of Chinese development aid to date – with one drawback: there is no citation of sources. However, given the fact that the book is an “official” publication and that Shi Lin was a government official, it can be assumed that the content is based on material from state and party archives and possibly Shi Lin’s personal experiences. Shi joined the CCPCC Foreign Economic Liaison Committee (*Zhonggong zhongyang duiwai jingji lianluo weiyuanhui* 中共中央对外经济联络委员会) in 1964 as director of the Bureau for International Economic Affairs (*Guoji jingji shiwujū* 国际经济事务局), and served as China’s chief negotiator in the border talks with North Korea. In 1969, he became the leader of the political working group of the (now) CCPCC Foreign Economic Liaison Department, and in 1973 was promoted to Vice-Minister. Thus, without the possibility of knowing the sources, the book must be understood for what its author presumably intended it to be: the official history of China’s foreign economic co-operation (including foreign economic and technical aid) as of 1989. The book has not yet been translated, and it would be

an enormously valuable contribution to the study of Chinese aid if somebody made the effort of doing it.

The second publication I would like to mention is *Zhongguo yuanwai 60 nian* 中国援外 60 年 (*60 Years of China's Foreign Aid*) which was produced by a team of researchers at the Chinese Academy of Social Sciences (CASS) led by the director of the CASS Institute of European Studies professor Zhou Hong 周弘 (2013a). Chinese scholars name the book among the most important research monograph on China's aid produced in the last years. The monograph was originally published in China in 2013 by the Social Sciences Academic Press (*Shehui kexue wenwu chubanshe* 社会科学文献出版社), and in a (slightly revised) English translation under the name *China's Foreign Aid: 60 years in Retrospect* with Springer in 2017 (Zhou Hong 周弘 2017). It covers China's foreign aid policy and mechanisms, the relationship between China's foreign aid and multilateral organisations, and China's aid to different geographic regions. Reportedly, the research was initiated around the year 2000 by the Ford Foundation, which approached Zhou's team at CASS (Zhang, Gu, and Chen 2015, 13–14).

While the research field of Chinese aid is rapidly expanding, most of the “growth” has taken place in areas related to data and analysis of development finance flows. This is not entirely surprising, as the debate over their implications has intensified since the launch of China's Belt and Road Initiative by President Xi Jinping in 2013. The large-scale infrastructure development loans by Chinese policy banks have raised doubts on the debt sustainability of the borrowing countries (Hurley, Morris, and Portelance 2018; Kratz, Feng, and Wright 2019; Development Reimagined 2019), particularly so, because the detailed loan arrangements and agreed volumes were rarely disclosed (Horn, Reinhart, and Trebesch 2019). However, what receives little attention in all Euro-American research on Chinese aid – not unlike in other research fields on Chinese foreign policy – are Chinese language sources. This applies both to Chinese primary sources (official and semi-official documents) and to research produced by Chinese scholars in Chinese. Despite some improvements, in particular owing to bilingual scholars writing in English but citing Chinese sources, there are effectively still two debates about Chinese aid: the debate about Chinese aid that takes place *outside China* and primarily within the academic disciplines of development economics, political economy, development geography, and international relations – and a debate about Chinese aid *in China*. Furthermore, while Chinese scholars regularly refer to European or American authors, the opposite, as noted above, is still rarely found in Euro-American research. China has studied Europe and the Western world

intensively for some 150 years while China still appears as far away as ever, argues Barbara Mittler (2019) in her essay “Dein Bild in meinem Auge oder: Die Genese des “chinesischen Traums” (Your Image in My Eye or: the Genesis of the Chinese Dream). The caricature in Figure 1, depicting a Chinese man who studies Europe in every detail through his binoculars (while the European man holds his binoculars the wrong way), appeared in the newspaper *Tuhua Ribao* 图画日报 (*Picture Daily*) on 4 March 1910. It may also have been published in 2010.

The insufficient consideration of perspectives articulated in Chinese “as a language in which people are constantly making new senses of the world” (Barmé 2011, 355) simultaneously co-creates and reinforces a “Chinese Exceptionalism” (Callahan 2012): though China is undeniably a component and a driver of the growing integration of the global economy, the mainstream (or probably the loudest) voices portray it not as part of a “network-based logic

Figure 1 Your Image in My Eye



Source: New knowledge sales booth, *Tuhua Ribao* 图画日报 (*Picture Daily*), 4. March 1910.

of globalisation that ties us all together” (Callahan 2012, 51), but as a challenger to an established order. Anthony (2018, 111) uses the discourse on “China in Africa” as an example to illustrate the systemic blind spots of the constructed China-“West” binary: he argues that the widespread criticism in the Euro-American sphere that China is destroying global forest reserves in Africa ignores that the “key driver” of China’s deforestation was “the growing demand for affordable furniture in the United States and the European Union, imported from China”. During the COVID-19 pandemic, which broke out in the Chinese city of Wuhan in December 2019, Chinese-literate academics and journalists who followed microblog accounts of Chinese citizen journalists were warning already in January 2020 that Europe and the United States may suffer a similar healthcare-system overload and death tolls as Wuhan if they did not implement containment measures. Members of the European Union (EU) and the United States (U.S.) initiated containment measures only in March after the healthcare-system in parts of Italy had collapsed. Ursula von der Leyen, President of the EU Commission, admitted on 17 March that “the EU may have underestimated the Virus” (EURACTIV 2020). Marius Meinhof (2020), a sociologist at Bielefeld University, explains European reactions with “colonial temporality” – “we” perceived the virus as something related to the Chinese authoritarian or backward *other*, disconnected from the West. This *othering* hampered responsible preparations in Europe and at the same time prepared the stage for Chinese propaganda using Covid19 to claim superiority of their system”. By March, hospitals in all affected countries were coping with the shortage of masks and protective suits – except for China. The *New York Times* headlined “The World Needs Masks. China Makes Them – But Has Been Hoarding Them” (Bradsher and Alderman 2020) – to follow in Anthony’s footsteps, it was the European and U.S. companies who outsourced mask production to China because it was “cheaper”, regardless of potential consequences in the case of an epidemic.

For all of these reasons, and despite its rapid and continuous expansion, the research field of China’s foreign aid is a wide-open one. This thesis will not be able to fill in its “gaps”. It can only add a few small pieces to a puzzle that is still far from being complete.

The Challenge of Conceptualising Chinese Aid

A common challenge shared by all researchers writing about Chinese aid face share is how to conceptualise Chinese aid. For one thing, in many cases, it's nearly impossible to say whether an official financial flow or an officially financed project has a development or a commercial intent, and often development intent and commercial intent official financial flows are

intertwined in one package. For instance, in 2017, China and Ghana signed a project agreement, which included (a) a 2 billion US-Dollar resources for infrastructure deal with the state-owned enterprise Sinohydro to build roads and bridges in exchange for the right to mine bauxite ore in the Upper Guinean Rainforest (commercial), (b) a 300 Million RMB (42,7 million US-Dollar) grant and (c) debt forgiveness amounting to 35,7 million US-Dollar (Nyabiage 2019). Furthermore, in official communication, nearly every kind of Chinese official financial flow is described as **win-win** (*gongying* 共赢) or **mutually beneficial** (*huli* 互利) **co-operation** (*hezuo* 合作), which contributes to **common development** (*gongtong fazhan* 共同发展), and **supports** (*zhichi* 支持), **helps** (*bangzhu* 帮助) or **provides aid** (*tigong bangzhu/yuanzhu* 提供帮助/援助) to developing countries.

The word **co-operation** (*hezuo* 合作) is employed for China's role in international development **co-operation** efforts to fight poverty (国际减贫发展合作) in the context of the Sustainable Development Agenda 2030 when talking about solidarity and **co-operation** with developing countries (同发展中国家团结合作), in South-South Co-operation (*Nan-nan hezuo* 南南合作) or development **co-operation** programs in areas like disaster relief, maternal and child health, refugees or environmental protection (救灾、卫生、妇幼、难民、环保等领域的发展合作项目). It is equally employed when talking about foreign investment **co-operation** (对外投资合作); when talking about the internationalisation – “going global” (*zou chuqu* 走出去) – of Chinese companies, when simply buying Siberian timber – which will then be described as an “economic and trade” **co-operation** (经贸合作), or in international **co-operation** in the context of the “Belt and Road” Initiative (“*Yidai yilu*” *guoji hezuo* “一带一路”国际合作). People-to-people exchanges, literally translated as cultural **co-operation** (人文合作), can mean anything from international conferences to trade promotion tours (SCIO 2019a).

To **help** (*bangzhu* 帮助) finds a similarly wide application. It can mean to **help** least developed countries in fighting poverty (帮助最不发达国家消除贫困), or to **help** recipient countries to strengthen their independent development capabilities (帮助受援国增强自主发展能力), as described in the 2011 White Paper on *China's Foreign Aid* (SCIO 2011a) and the 2019 White Paper on *China and the World in the New Era* (*Xin shidai de Zhongguo yu shijie* 新时代的中国与世界) (SCIO 2019a). It can be equally used to describe international activities of Chinese companies financed by preferential export buyer's credits (优惠出口买方信贷),

e.g. subsidised but commercial intent government loans provided in RMB via the Exim Bank, which are not part of China's foreign aid budget. The Chinese embassy in Cambodia can speak of China's selfless **help** (*wusi bangzhu* 无私帮助) when referring to a road construction project financed through preferential export buyers credits (ECCO Cambodia 驻柬埔寨使馆经商处 2012). A press release by China's Economic and Commercial Counsellor's Office (*Jingji shangwu chu* 经济商务处, ECCO) of the Chinese Embassy in Cambodia on the construction commencement ceremony of the National Road No. 6, for example, reads:

Cambodia's Prime Minister Hun Sen, [Chinese] Ambassador Pan Guangxue, Commercial Attaché Jin Yuan, many senior ministerial-level officials and over 8000 local people participated [in the construction commencement ceremony]. In his speech, Hun Sen expressed his gratitude to the Chinese government, which has been offering **selfless help** to Cambodia **for a long time** and has provided particularly big help in the area of transport infrastructure and connectivity. He **praised China highly for not only developing itself rapidly but also actively supporting the development of its neighbouring countries and letting all other countries benefit from China's economic development.**

柬首相洪森、潘广学大使、金远商务参赞、柬政府数十位部长级高官以及 8000 多当地群众参加。洪森在致辞中感谢中国政府**长期以来**向柬提供的**无私帮助**，尤其在交通基础设施互联互通领域提供的巨大帮助，**盛赞中国不仅自身快速发展，还积极帮助其他周边国家发展，使其他国家都从中国的经济发展中受益。** [Emphasis added]

The text parts highlighted in bold are taken from the White Paper on *China's Peaceful Development* (*Zhongguo de heping fazhan* 中国的和平发展) (SCIO 2011c), a strategic document that outlines China's global interests and projects how China's leadership wants China to be perceived by the rest of the world:

The **rapid development of China's economy** [...] **has enabled neighbouring countries to benefit from China.** [...] **Since many years**, China is doing what it can within its own capabilities to provide **selfless aid**, to assist developing countries in strengthening their independent development capabilities.

中国经济持续发展，[...], **使周边国家从中受益。**[...] **多年来中国力所能及地提供无私援助，帮助发展中国家不断增强自主发展的能力**

Similarly, transmission lines, highways and tunnels constructed by Chinese companies in Tajikistan making use of preferential export buyers credits are framed by the Chinese embassy as "**helping** Tajikistan to realise the unification of the national power grid and the road network" (帮助塔实现了国家电网和路网的统一) (Chinese Embassy Tajikistan 2018). Anything in the range "you need it – we have it" can be denoted as "help" or "aid".

The Chinese discourse mostly distinguishes between *duiwai yuanzhu* 对外援助 – meaning “foreign aid” – and *fazhan yuanzhu* 发展援助 – meaning “development assistance”. *Duiwai yuanzhu* “foreign aid” is applied to aid that China gives to other “developing countries” (*fazhanzhong guojia* 发展中国家). In contrast, the term used in China for ODA given by “western” (*xifang* 西方) or “developed” (*fada* 发达) countries – which is how China refers to members of the OCED-DAC – is *fazhan yuanzhu*, the literal translation of development assistance/aid. *Fazhan yuanzhu* is virtually never used in the official Chinese discourse to describe Chinese aid and rarely in the academic discourse. Zhang Yanbing 张严冰 and Huang Ying 黄莺 (2012), public policy researchers at Tsinghua University, have linked this rhetorical differentiation to the concepts of *zili gengsheng* 自力更生 – “self-reliance” – and *zizhu fazhan* 自主发展 – “self-determined development” (whose origins and significance for the Chinese aid thinking I will explain in chapter 1):

Aid does contribute to development, but there is no country that became reach and powerful through somebody else’s aid, to that self-determined development and self-reliance are fundamental.

中国的发展观始终以 实现国家富强为指导， 因此中国始终坚持“主权重于发展”。援助的确有助于发展， 但是没有那个国家是依靠别人的援助而实现富强的， 因此自主发展、 自力更生是根本。” (p. 45)

It is for this reason, they argue, that unlike “the West”, where “aid” and “development” are basically “one and the same concept” (合二为一的概念), China gives “aid” not in order to “develop” other countries but in order to help their *zizhu fazhan* 自主发展, their “self-determined development” (p. 43). The latter is also the stated objective of Chinese *foreign aid* in official documents:

China has been doing its best to provide foreign aid to help recipient countries to strengthen their capacities for self-determined development [.]

中国仍量力而行...帮助受援国增强自主发展能力[。]

China’s Foreign Aid White Paper of 2011 (SCIO 2011a)

Chinese government’s foreign aid is committed to...strengthening the recipient countries’ capacities for self-determined development [.]

中国政府对外援助致力于...增强受援方自主发展能力[。]

Measures for the Administration of Foreign Aid (2014) (MOFCOM 2014b)

Thus, historical memory appears to be the reason for the difference in wording, which in turn reflects China’s rejection (and critique) of the aid conditionality in DAC aid, namely tying aid to improvements in good governance, anti-corruption efforts, or safeguarding of human

rights through environmental and social standards. This very non-conditionality, in turn, is what China is criticised for by DAC donors. But it would be wrong to think that China is negating the larger issues surrounding development assistance, Zhang and Huang argue (p. 44). After all, the country has been providing development aid since the 1950s – and does not think good governance is irrelevant, either. What China is opposed to is putting good governance above development issues at the economic and technical level, i.e., infrastructure building, industrial or agricultural development or anti-malarial drugs etc., and tying aid to institutional change. As China itself is still in the process of finding its own development path, it will not adopt a posture of superiority, and it will not provide “development assistance” like the developed Western countries or “educate” other countries on how to develop” (由于中国...还在不断探索自身的发展道路, 所以就不会像西方发达国家那样提供“发展援助”, 并“教育”发展中国家如何发展) (p. 45). “Development assistance”, they argue further, implies an “unequal relationship” (不平等关系), in which the donor “educates” (教导) the recipient on “what is development” (什么是发展) and “how to develop” (如何实现发展) (ibid.).

In the most recent legal document on foreign aid, the experimental “Measures for the Administration of Foreign Aid” (*Duiwai yuanzhu guanli banfa (shixing)* 对外援助管理办法 (试行) of 2014 (MOFCOM 2014b), bilateral *foreign aid* is defined as “the use of foreign aid government funds to provide economic, technical, material, personnel, management and other support to aid recipients” (使用政府对外援助资金向受援方提供经济、技术、物资、人才和管理等支持的活动). These are divided into three categories: “non-reimbursable assistance” (*wuchang yuanzhu* 无偿援助), which is also called grant aid in official translations; “interest-free loans” (*wuxi daikuan* 无息贷款); and “concessional loans” (*youhui daikuan* 优惠贷款). Non-reimbursable assistance may include technical assistance or training, the donation of buildings such as stadiums or government headquarters, the deployment of medical teams (*yiliaodui* 医疗队), or emergency humanitarian aid after natural disasters. Till 2018, these three types of foreign aid flows were administered by MOFCOM. Since April 2018, they have been under the administration of the newly established China International Development Cooperation Agency (CIDCA; *Zhongguo guoji fazhan hezuoshu* 中国国际发展合作署). The interest-free loans are used mainly for the construction of public infrastructure and for industrial and agricultural production. The typical repayment period is 20 years (SCIO 2011b), and the loans can be repaid using either convertible currency, commodities or other agreed means. Interest-free loans are disbursed directly by CIDCA (and before 2018 by MOFCOM).

Concessional loans are used mainly in large scale infrastructure construction or for the provision of a large quantity of mechanical and electronic products and complete sets of equipment. Technically, concessional loans consist of capital raised by policy banks provided at a market rate and a grant element with funding from the Chinese government, which covers the difference between the commercial interest rate and the preferential interest rate. Concessional loans are approved by CIDCA and disbursed by the Exim Bank. Research by the AidData team estimated that of the total funds earmarked as *foreign aid*, only one third is comparable to DAC ODA (Dreher et al. 2018). The rest is below the market rate but does not meet the concessionality criteria of the OECD.²⁷ A recent estimate by Kitano suggests that the ratio may have shifted by 50 per cent (Kitano 2019). Yet, with both figures, one must keep in mind that these are approximations, given that the Chinese government does not release disaggregated aid figures.²⁸ Not included in the official *foreign aid* definition is overseas financing in the form of preferential export buyer's credits (*youhui chukou maifang xindai* 优惠出口买方信贷) provided by the Exim Bank, and official project loans by both, Exim Bank and the CDB. However, it is project loans, in particular, that have drawn most of the international attention since the launch of the Belt and Road Initiative (BRI; *Yidai yilu* 一带一路) in 2013. Though they are not foreign aid, the fact that they are granted by the Chinese government (and thus are “official finance”) has led non-Chinese observers to compare them to Western ODA and treat them as part of “Chinese aid”. A 2019 study by the German Bertelsmann Foundation, for example, compared Chinese official finance flows to the BRI region with the total development assistance of DAC countries (determining that the amounts were roughly equal) (Taube and Hmaidi 2019). Others stress that China has become the single largest official creditor, easily surpassing the IMF and the World Bank – also comparing Chinese non-ODA like official lending with institutions in the United Nations system whose sole mandate it is to provide development-oriented finance (Horn, Reinhart, and Trebesch 2019).

Indeed, Exim Bank and CDB are both understood as “policy banks” (*zhengcexing yinhang* 政策性银行) and the aforementioned loans as “development finance” (*kaifaxing jinrong* 开发

²⁷ According to the definition of the OECD, ODA transactions must have a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent) (OECD 2019c).

²⁸ Furthermore, the last aggregated figures released were in *China's Foreign Aid* White Paper of 2014 (SCIO 2014a).

性金融)。However, by now, a reader literate in Chinese may have noticed that what has been translated as “development” in English refers to two different terms in Chinese: *fazhan* 发展 means “development” in the sense of economic development or development aid, while *kaifa* 开发 refers to development in the sense of exploitation, such as natural resources development or greenfield development. Similarly, the “development” in China’s International Development Co-operation Agency is *fazhan*, while the “development” in China Development Bank is *kaifa*. The OECD-DAC distinguishes similar official flows from ODA, categorising them as “Other Official Finance” (OOF) (OECD 2009). It also provides a meta-category for all of “Official Development Finance” (ODF), which includes (a) bilateral official development assistance, (b) grants and concessional and non-concessional development lending by multilateral financial institutions, and (c) Other Official Flows for development purposes (including refinancing loans) that have too small a grant element to qualify as ODA. Given that Chinese *foreign aid*, when assessed in DAC terms, already consists of ODA and OOF elements, the question arises whether a study of Chinese development co-operation should include the other types of OOF, too - not the least, because (as I have described above) all types of official financial flows are framed as “helping” in official statements, which does signal a development intent.

Precisely for this reason, in 2015, the Chinese economist Cheng Cheng (2015, 96), whom I already mentioned in the section “State of the Art”, argued that the OECD’s broader ODF definition offers a better basis to start conceptualising Chinese development assistance, proposing the term Official Development Finance with Chinese Characteristics (ODF-CC). Based on a case study of Chinese official projects in Africa, he suggested the following definition: (1) the financial flow is from the Chinese state, no matter whether it is from the government budget or state-owned policy banks; (2) the flow must be used primarily for economic growth and improving the social welfare of the receiving country; (3) for loans the flow must have some level of concessionality, which means that the total cost for the recipient country of receiving the loan from China must be lower than the costs for the recipient country of obtaining loans of the same scale on the international financial market (meaning, a grant element is required, but its scale may vary) (Cheng Cheng 2015, 205). What the definition doesn’t explicitly cover, however, are cases where the advantage of Chinese official loans lies not in the rate but the volume, meaning that the Chinese policy banks are the only ones willing to give out high volumes of credit lines (Sanderson and Forsythe 2013).

In the meantime, within the last decade, the “traditional” demarcation line between the so-called “Northern” DAC-donors, who used to emphasise institution-building, good governance,

social programs and technologies, and “Southern” donors who historically insisted on political non-interference and a stronger emphasis on material infrastructure and its contribution to economic growth, has become blurrier. Chinese aid actors are studying northern development co-operation systems and institutions to draw lessons for domestic reforms. Northern donors are moving further south, from poverty reduction to economic growth and from charity to a blending of aid with trade and investment (Mawdsley et al. 2018, 3). An example of the latter is the “German Marshall Plan with Africa”, which argues for a paradigm shift, namely to “move away from the concept of donor and recipient countries, and focus more on joint economic co-operation instead (BMZ 2017, 13). Specifically, this implies the mobilising of the private sector and the use of public funding (from donor agencies and development banks) to boost private investment (BMZ 2017, 15). After the announcement of the German Marshall Plan in 2017, the Chinese aid scholar Li Xiaoyun 李小云 (2017), who served as a consultant in German aid projects, wrote in an op-ed in the Communist Party’s foreign policy newspaper *Huanqiu shibao* 环球时报 (*Global Times*): “In the past, China was always criticised for using similar measures to promote co-operation with Africa, and now Germany is starting to learn from Chinese experience” (过去一直对中国采用相似的措施展开对非合作颇有非议, 现在德国也开始借鉴中国经验). What can be clearly said is that the concept of Chinese aid is a dynamic one. Looking only at what is legally defined as “foreign aid” may help explain how Chinese “foreign aid” compares to DAC aid, but it will not help understand Chinese foreign aid as a system. This thesis aims to address this discrepancy.

Research approach

The idea for this thesis originally arose born from a feeling of profound dissatisfaction as I was working as a programme manager for the German International Development Co-operation Agency GIZ in Beijing (between 2009 and 2013). China was becoming an increasingly important player. I was in charge of a component of a multi-country project that focused on promoting cross-border sub-regional economic co-operation and trade between China and neighbouring countries and aimed to make peripheral regions less peripheral. In the process, our Chinese counterparts (in particular from MOFCOM) increasingly stepped into the role of development partners, providing financial and in-kind contributions, which evolved into

unofficial trilateral co-operation²⁹ within the programme (for details, see Steiger and Rudyak 2012). When I started looking at China as a donor in early 2012, trying to better understand China's approach to development assistance, I quickly realised that there were essentially two separate debates on Chinese aid. One debate was *about* (and *outside*) China in the West, which happened primarily in the realms of political science (international relations), economics (international political economy), or development studies. The works I cite in the "State of the Art" section, with the exception of Deborah Brautigam's *The Dragon's Gift*, had not yet been written. The bibliographies of existing studies consisted almost exclusively of secondary, English language sources. The other debate on Chinese aid took place *in China* – and in Mandarin Chinese. The assumptions made in the Western debate about China differed substantially from what Chinese actors were writing. Many things that were assumed to be state secrets in Western publications were openly discussed in Chinese.

The phenomenon itself was nothing new to me: I had written my Master thesis at Heidelberg University on China's energy security policy in Central Asia, and it began with a juxtaposition of two statements: one by a Western analyst, who was stating that "China has a very clearly defined energy security strategy", and one by a Chinese author who wrote that "China does not have an energy security strategy." However, as development is my profession, and China is an important development actor – one "we" (i.e. Northern donors) need to understand better to address global challenges jointly, I have here chosen to ask the questions I would ask as a Northern development professional and to answer them with the skills available to me, trained as a China scholar.

It is for this reason that this thesis is a hybrid. It may be considered "sinological" in that its core methodological approach is "decoding" Chinese official and semi-official texts. At the same time, it is clearly situated within the development discourse and addresses development scholars and professionals and aims to translate Chinese aid thinking and concepts in a transcultural and transdisciplinary manner. It is also, in the sense of Bruno Latour's (2005, 146–49) Actor Network Theory (ANT), a "laboratory" – a place for trials, experiments and simulations. I don't intend to *explain* Chinese aid; I will *describe* it. I treat my sources as *actors*, and thus, to follow Latour (2005, 136–37), my task is to *deploy* actors *as* networks of mediators.

²⁹ Trilateral (or triangular) co-operation is a development co-operation format comprised of a Northern donor and Southern donor and a recipient (Langendorf et al. 2012).

Latour (2005, 137) explains this approach as follows: “[...] Either the networks that make possible a state of affairs are fully deployed – and then adding an explanation will be superfluous – or we ‘add an explanation’ stating that some other actor or factor should be taken into account so that it is the description that should be extended one step further. If a description remains in need of an explanation, it means that it is a bad description.” (My intention, then, in this thesis, is to describe the actor-network (my sources) in enough detail so that they can begin to speak for themselves.

The sources and their detailed description are used to *assemble* Chinese aid. I draw on Manuel DeLanda’s (2016) Interpretation of Gilles Deleuze and Felix Guattari’s (1987) *Assemblage Theory*. As DeLanda (2016, 1) points out, the concept of *assemblage* refers not only to the outcome or the product but also to the process by which the product came to be what it is. This is more obvious in the original French term *agencement*, which encompasses both: *agencer* = matching or fitting together a set of components; and the result of such *action* = “-ment” an ensemble of parts that mash together will. In a similar way, this book treats *Chinese Aid* not just as a product but as a process. It is a process that has emerged from interactions between a set of actors on “molecular” (micro) and “molar” (macro) levels (Deleuze and Guattari 1987, 39 ff.) – individual persons, sub-personal components, platforms, levels of an organisation, or governments. All these entities stand on an equal footing (Latour 2005).

Assemblages have a “historical identity” (DeLanda 2016, 19). Every assemblage is a “concrete historic individual” (DeLanda 2016, 108). They are the outcomes of what DeLanda calls “processes of individuation”, meaning that the defining emerging properties of assemblages “are produced by their interacting parts, and therefore contingent of the requisite interactions” (DeLanda 2016, 140). This “historicity and individuality” of all assemblages makes it necessary to map out the historical process by which any given present assemblage came into being. This, in turn, means that Chinese aid today cannot be understood without the historical process which produced it. The first chapter of this book, which provides a historical backdrop to contemporary Chinese aid, is therefore not merely there because it has to be there (usually, such introductory chapters would comprise a summary of secondary source material). Instead, this chapter is a largely primary source-based chapter in its own right, as it turned out to be a necessary component to map out the process of individuation of Chinese aid and to flatten this multidimensional assemblage on a single plain (Deleuze and Guattari 1987, 9). In a way, this attention to the historical dimension echoes Jeremy Barmé’s call for a multifaceted

and holistic understanding of China in the world, which is “grounded in an ability to appreciate the living past in China’s present” (The China Story 2012).

My primary sources are official and semi-official documents linked to China’s leadership, namely publications of the government and party organs; statements of high-level government and Communist Party officials; legal documents such as laws, administrative regulations or white papers; as well as newspapers and magazines published by the organs of the CCP. Because I treat Chinese aid as an *assemblage*, a process, my primary source material also includes historical sources, which allows me to show continuities and discontinuities. The analysis of primary sources is triangulated by (1) an analysis of the Chinese academic debate, (2) information from informal expert-conversations undertaken during my posting as programme manager for the GIZ in Beijing between 2010 and 2013, (3) formal expert-interviews with Chinese aid scholars and aid officials undertaken in Beijing between March and May 2016, and (4) formal expert-interviews and informal expert conversation undertaken with Chinese development actors and European aid officials at various events in Europe between 2016 and 2019.

My entry point into interpreting my sources is the analysis of their *tifa* 提法, which can be translated as formalised language. In China’s political system, formalised speech acts help constitute the structure of power. As Michael Schoenhals (1992, 3) has phrased it in his seminal work *Doing Things with Words in Chinese Politics*, “by proscribing some formulations while prescribing others, they set out to regulate what is being said and what is being written – and by extension what is being done.” How Chinese leaders speak about something, what exact wording they use and in which context carries at least as much information as *what* is being said. As explained earlier, it is not a coincidence that when speaking about *aid*, the Chinese discourse employs different terms for aid given by China to other *fazhan zhong guojia* 发展中国家 (developing countries) and for aid given by *xifang* 西方 (Western) countries to developing countries, including China: the term for Chinese aid is *duiwai yuanzhu* 对外援助, which translates as *foreign aid*, while the term for “Western” aid is *fazhan yuanzhu* 发展援助, the literal translation of the term *development aid*, which was for a long time used to refer to OECD-DAC donors until it was gradually replaced by the more equality oriented “development co-operation”.

This in-depth work with primary (Chinese language) sources is also what distinguishes this thesis from the vast majority of other research on China aid, most of which has taken place in

the disciplines of development studies, foreign policy or political economy and which is in most cases based on translated secondary source material. It attempts to counter the assumption that Chinese aid is a *black box* (e.g. Feldshuh 2018; Lagerkvist 2009) by showing that it's not as *black* as it appears. As soon as one is able to read the original Chinese language sources and has learned to *decode* the somewhat *esoteric* communication that happens in Chinese politics by use of *tifa*, the aid system becomes significantly more transparent, and the aid discourse much more easier to follow. Once one starts paying attention to *what* is said, *how* it is said, and *by whom*, many things become less opaque and easier to understand. *It's just all in Chinese*. (Though admittedly, China's foreign policy decision making process remains difficult to decipher—a *black box*, but reading it closely, in Chinese, one gets into a better position to make educated guesses.)

Aside from a few historical documents, nearly all of the Chinese primary sources that form the source base of this thesis were obtained using Open-Source Intelligence Techniques (OSINT). All the policy documents, government reports and other data were collected from publicly available Chinese sources (Miller 2018). They are complemented by information obtained in interviews with Chinese aid experts in April 2016 and expert conversations with Chinese, European and American experts that took place in the context of my work for GIZ before 2013 and as part of consulting work related to Chinese aid after 2014.

When interviewing Chinese aid bureaucrats, it was extremely helpful that I came from an aid background. There was quickly a feeling of mutual understanding, as it turned out that, after all, aid bureaucracies do work quite similarly in China and Germany. We could share complaints about the bureaucracy, the workload and the hours of *jia ban* 加班, working overtime. That is something that seems to be part of the daily work routine of aid workers everywhere. “*Nimen ye jia ban ma?*” 你们也要加班吗? – meaning “Do you also have to work overtime?” – is how most of my interview partners responded when I told them that I could relate to their workload and that when I was working for GIZ in Beijing, I rarely left the office before 9 o'clock in the evening. My interviewees thought that *jia ban* was a phenomenon of the understaffed Chinese bureaucracy. That it was the same elsewhere, even with the “organised and efficient Germans”, created a bond. “You also have to work overtime?” turned out to be the key sentence to establish common ground. After that, in most cases, an interview was not an interview between a PhD researcher and an aid official but a conversation between two aid workers. They told me about their work routines and asked me about aid project

management in Germany. We were speaking the same “aid speak”. Furthermore, my interviewees seemed to genuinely appreciate the meta objective of my dissertation: to make Chinese aid better understandable to aid scholars and practitioners outside China. Almost all of them stated that Chinese aid is misunderstood and that the Chinese government fails to make it better understood. Most of these interviews will not be quoted directly in this thesis for confidentiality reasons, but they were extremely helpful in interpreting policies and official statements.

The Structure of this Thesis

This thesis consists of five chapters: the first three deal with the evolution of Chinese foreign aid from its inception to the publishing of China’s first foreign aid White Paper in 2011; the two remaining chapters are reform case studies taking us up to the present.

Chapter 1, “Relational Foreign Aid: Tracing the Origins of the Chinese Aid Thinking”, traces the origins of the concepts that are considered basic principles of China’s foreign aid today and explains when and in which context they were formulated first. Furthermore, the chapter suggests that China’s early foreign aid was likely influenced by interactions between the Chinese Communists and the representatives of the United States in China. It shows, in particular, how the Communists’ attempts to obtain economic assistance from the U.S. and the U.S.’s denial of ideological grounds on ideological grounds appear to have shaped the principle of political non-interference. Finally, chapter 1 argues that Chinese foreign aid was *relational*, in the sense of trying to find “common interests” (*gongtong liyi* 共同利益) in order to create *relational power* and overcome the international isolation China was faced with after 1949, and claim the China seat from the Republic of China (on Taiwan) in the United Nations General Assembly. Drawing on the *Relational Theory* of world politics, proposed by Qin Yaqing’s 秦亚青 (2018), it analyses how foreign aid was linked to constructed common interest of building economic independence, which China saw as a precondition for political independence. In the process, this chapter challenges several dominant assumptions: first, that foreign aid was dominated by Mao Zedong and driven by ideology, and second, that Chinese aid was “merely an extension of Soviet aid”.

Chapter 2, “The Long March to “Win-Win”: Assembling Chinese Foreign Aid Thinking”, continues my historical enquiry and fills a gap that has been largely neglected in the research on Chinese foreign aid: the years between 1978 and 1995. It zooms in on government-linked

foreign aid discourses and argues that the major foreign aid reform of 1995, namely the introduction of foreign aid concessional loans (对外援助优惠贷款) managed by the newly set-up China Exim Bank, were the outcome of a reform process, that started in 1979. Thereby, the chapter first debunks the assumptions that foreign aid lost its importance with the new leadership, often found in the literature on Chinese aid. It shows that, quite to the contrary, it was in 1979 (at least according to known documents) that foreign aid was explicitly *called* a strategic foreign policy tool, which was indispensable to secure a stable international environment for China's modernisation policy. It argues that the new "Four Principles of Economic and Technical Co-operation" (*Jingji jishu hezuo de si xiang yuanze* 经济技术合作的四项原则), whose emphasis on "co-operation" was perceived by many as a departure from aid, in fact, represented an attempt to strike a delicate balance between finding ways to maintain good relations with recipients and to promote China's own economic development. Second, this chapter uses primary and secondary source material to show that the shift away from aid toward economic co-operation-which China's government had indeed sought and which works on Chinese aid or Sino-African relations repeatedly described as having occurred in the early 1980s-essentially did not take place. This happened only after China faced a new crisis: the Tian'anmen square protests, which ended with a violent crackdown leading to sanctions imposed by Western countries. It was then perceived as necessary to significantly increase aid to developing countries in order to ensure their political support – and this, in turn, led to the creation of foreign aid concessional loans as a new mode of aid delivery. Finally, the chapter argues that in order to understand the thinking and action logic behind Chinese foreign aid today, one has to understand the *assemblage* of Chinese concessional loans.

Chapter 3, "Chinese Aid Meets the West – Tracing (Hidden) Reform Debates", discusses how contrary to widespread assumptions in the West that behind Chinese aid, there was a clearly defined strategy, the Chinese aid system was (and in fact, still is) characterised by policy experimentation. As argued by Sebastian Heilmann (2018, 111), policy experimentation has been an asset and the key to the adaptability of China's political economy, allowing this authoritarian regime to find innovative solutions to long-standing or newly emerging challenges. Yet, in foreign aid policy experimentation has created a system that is described as highly complex, fragmented and ineffective by its stakeholders. The chapter follows a foreign aid reform debate that started in 2010 – and initiated a reform process that is still ongoing. Although this debate addressed many of the concerns DAC donors voiced towards Chinese aid after 2005, it remained "hidden" because it was conducted almost exclusively in Chinese. The

chapter concludes by analysing the first visible outcome of this (hidden) reform debate: the White Paper on *China's Foreign Aid* which was published in 2011 and spelt out the official *master narrative* for Chinese foreign aid for the first time in the history of Chinese aid.

Chapter 4, “Reform of the Foreign Aid Administration” and Chapter 5, “Credit Risk Management Regulations for Chinese Policy Banks”, introduce two reform case studies: The first case study deals with the introduction of the first comprehensive legal document on foreign aid, the “Measures for the Administration of Foreign Aid” in 2014 (MOFCOM 2014b), and the establishment of the new foreign aid agency China International Development Co-operation Agency (CIDCA) in 2018, which replaced the Ministry of Commerce as the lead administration actor for foreign aid. The second case study deals with the introduction of new credit risk management regulations for China’s two policy banks, China Development Bank (CDB) 国家开发银行 and China Export-Import (Exim) Bank 中国进出口银行, which issue Chinese government loans to developing countries: the “Measures for the Supervision and Administration” (*Jiandu guanli banfa* 监督管理办法), issued in November 2017. The function of the case studies is not only to analyse the legal documents and legal processes at the centre of both reforms. Rather, they serve as exemplary cases of how major reforms, which addressed aspects of Chinese aid that have been hotly debated in the West, went completely unnoticed because the related information was available only in Chinese. Furthermore, the case studies are also methodological suggestions on how to trace reforms as they unfold.

The thesis concludes with five arguments: China’s foreign aid is relational; it is based on policy experimentation; it is guided by historical memory, which is in part responsible for the fact that China’s foreign aid is an externalisation of China’s domestic modernisation policy; China’s foreign aid is not a China story but a global story, it is embedded in a global context and has been directly or indirectly shaped by global shifts.

Chapter 1: Relational Foreign Aid: Tracing the Origins of the Chinese Aid Thinking

South-South Co-operation started in the days
when we fought together against imperialism and colonialism.

南南合作始于反帝反殖斗争的峥嵘岁月。

China's President Xi Jinping 习近平 at the South-South Co-operation Roundtable
in New York, September 2015

When talking about foreign aid, Chinese leaders like to invoke the image of a common past they share with other “developing countries”. A common past of joint anti-imperial and anti-colonial struggle in which China, despite its poverty, always supported other developing countries to the best of its ability. The message they want to transmit is that China's foreign aid today is informed by China's past and its modernisation process. Since China's path was different from that of the West, its development aid model was also different from the “Western” development aid model. In the West, such statements are frequently dismissed as “propaganda”.³⁰

While it is certainly undeniable that the image of “anti-imperial and anti-colonial” (*fandi fanzhi* 反帝反殖) struggle is invoked strategically as fit, it is equally a fact that almost all the paradigms that China now defines as the “basic principles” (*jiben yuanze* 基本原则) of its foreign aid, emerged in the early years of the PRC – and their origins even predate the PRC. The following text passage is an excerpt from the White Paper on *China's Foreign Aid* (中国对外援助白皮书), which was issued on 11 July 2014.

China is the world's largest developing country. In the course of its development, it remained committed to integrating the interests of the Chinese people with the common interests of the people of other countries. In the framework of South-South Co-operation, it provided assistance to other developing countries to the best of its abilities [...] to help other developing countries to reduce poverty and to improve their people's livelihood. [...]

When giving foreign aid, China adheres to the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development. The basic principles China upholds in providing foreign aid are mutual respect, equality, keeping promise, and mutual benefit.

³⁰ That said, China's foreign aid is discussed in more nuanced terms today than ten years ago.

中国是世界上最大的发展中国家。在发展进程中，中国坚持把中国人民的利益同各国人民的共同利益结合起来，在南南合作框架下向其他发展中国家提供力所能及的援助，支持和帮助发展中国家[...]减少贫困、改善民生。 [...]

中国提供对外援助，坚持不附带任何政治条件，不干涉受援国内政，充分尊重受援国自主选择发展道路和模式的权利。相互尊重、平等相待、重信守诺、互利共赢是中国对外援助的基本原则。

(SCIO 2014a)

China has been providing assistance to other countries since 1951. Taking the 2014 White Paper as a starting point, this chapter traces the origins of the concepts and ideas outlined in the White Paper and explains when and in which context they were first formulated. Specifically, it suggests that the origins of the concept “people’s livelihood” (*minsheng* 民生) in the White Paper can be traced to the homonymous philosophy of *Minsheng* developed by the first president of the Republic of China Sun Yat-sen (also Sun Yixian 孫逸仙/Sun Zhongshan 孙中山, 1866-1925). Moreover, the chapter posits that China’s early foreign aid was likely influenced by interactions between Chinese Communists and the United States representatives in China. Thereby it shows how, in particular, the Communists’ attempts to obtain economic assistance from the U.S., and the U.S.’s denial of ideological grounds on ideological grounds appear to have shaped the exact same or earlier versions of the White Paper principles of “not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development” (不附带任何政治条件，不干涉受援国内政，充分尊重受援国自主选择发展道路和模式的权利) in China’s early aid giving. Finally, the chapter argues that Chinese foreign aid was *relational*, in the sense of trying to find “common interests” (*gongtong liyi* 共同利益) (to quote the White Paper) in order to create *relational power* and overcome the international isolation China was faced with after 1949, and claim the China seat from the Republic of China (on Taiwan) in the United Nations General Assembly. Drawing on the *Relational Theory* of world politics, proposed by Qin Yaqing (2018), President and Professor at China Foreign Affairs University (CFAU; *Waijiao xueyuan* 外交学院), the chapter analyses how foreign aid was linked to constructed common interest of building economic independence, which Chinese leaders saw as a precondition for political independence.

In the process, this chapter challenges several dominant assumptions: The first assumption is that foreign aid was dominated by Mao Zedong. This image was, in particular, shaped by works published in the United States in the late 1960s and early 1970s, such as Milton Kovner’s

(1967) “Communist China’s Foreign Aid to Less-Developed Countries” and John F. Copper’s (1976) *China’s Foreign Aid: An Instrument of Peking’s Foreign Policy*. Copper described China’s foreign policy as almost exclusively charted by Mao and ideology-driven. Although back then, peer reviewers criticized him for not considering party-internal conflicts that made foreign policy a process (Deckers 1978; Grow 1977a), this image that foreign aid during the Mao was ideology-driven and dominated by Mao has been continuously reproduced (e.g. by Copper 2016a; Brazinsky 2017; or Lin 1993). The second assumption, made by Copper (2016a) is that Chinese aid was “merely an extension of Soviet aid” and that China had no own aid policy before the “Eight Principles of Foreign Aid” (*Zhongguo duiwai yuanzhu baxiang yuanze* 中国对外援助八项原则), which were announced by China’s Premier Zhou Enlai 周恩来 (1898-1976) during a visit to Africa in 1964 as the guiding principles of Chinese aid. On the first assumption, I argue that, while Mao was undoubtedly the architect of the ideological base of the CCP, he was not the architect of Chinese foreign aid. The architect was clearly from the beginning Zhou Enlai. His framework for Chinese aid, namely the “Eight Principles Foreign Aid”, is still valid till today – and can be found in all official foreign aid documents today. Furthermore, while I would not dismiss the existence of ideological motives, based on my reading of primary sources, I suggest a more nuanced argument: Politically, foreign aid was directed at breaking through the international isolation and gaining diplomatic recognition. However, this political motive was equally an economic one, as the political isolation was also economic isolation – and China used aid to establish the trade relations it needed for its economic development. Thus, the political and economic motives were closely intertwined. Finally, China’s foreign aid approach was undoubtedly influenced by the Soviet Union, but to say that prior to the “Eight Principles Foreign Aid”, China did not have its own aid policy is incorrect because the principles were a synthesis of various concepts that predated the PRC.

1.1 Sun Yat-sen’s philosophy of “Minsheng” (People’s Livelihood) - the early origins of Chinese aid thinking

A core objective of Chinese *foreign aid* today is to support the improvement of “the people’s livelihood” (*minsheng* 民生). This is stated in the main policy document on Chinese aid, the *China’s Foreign Aid* (*Zhongguo duiwai yuanzhu* 中国对外援助) White Paper. Its 2011 version states that “China pays close attention to the livelihood [...] of recipient countries” (中国重点关注受援国民生) (SCIO 2011a), the 2014 update states that “improving people’s

livelihood is the main content of China's foreign aid" (改善民生，是中国对外援助的主要内容) (SCIO 2014b). The origins of this idea can be traced to back to the first president of the Republic of China, Sun Yat-sen whom both, the Nationalist Party (*Guomindang* 国民党) and the Chinese Communist Party (CCP) (*Zhongguo gongchandang* 中国共产党) regard as the father of modern China – and to Sun's philosophy of *Minsheng* 民生, "people's livelihood" (sometimes also translated as "wellbeing"). *Minsheng* was part of Sun's *Sanmin zhuyi* 三民主义, the "Three Principles of the People" (Linebarger 1937). The other two principles were *minzu zhuyi* 民族主义, "nationalism", which in its early meaning related to the opposition against the Manchu Qing dynasty and foreign imperialism; and the *zijue quan* 自决权, "right of self-determination" or *minquan* 民权, "the rights of the people", sometimes also translated as "democracy". In both the PRC and the Republic of China (on Taiwan), Sun's writings are considered an essential foundation for the ideological development of modern Chinese politics (Zanasi 2004, 6). *Minsheng* was intimately linked to an industrial and technological modernisation of China, namely

"to promote the economic well-being of the people by providing for their four necessities of life, namely, food, clothing, shelter, and transportation. For this purpose, the Government will, with the people's co-operation, develop agriculture to give the people an adequate food supply, promote textile industries to solve their clothing problem, institute gigantic housing schemes to provide for them decent living quarters, and build roads and canals so that they may have convenient means of travel."

As translated by Leonard Shih-lien Hsü in Sun Yat-sen, Sun Yat-sen, His Political and Social Ideals (Sun Yat-sen and Leonard Shih-lien Hsü 1933, 85)

The realisation of *Minsheng*, by means of economic and industrial development programs, was seen by Sun as a necessary prerequisite for *minquan*, "democracy", and *minzu zhuyi*, "nationalism" in the sense of national self-determination (Linebarger 1937, 243; Sun 1933, 85). *Minsheng* was also the centrepiece of Sun's 1918 book *The International Development of China* (originally published in English and later translated into Chinese with the title *Shiye jihua* 实业计划 [Industry Plan]), which the development economist William Easterly termed "the world's first development plan" (Easterly 2014, 53). Sun, argues Easterly, "was one of the first to present the idea of technocratic development in its modern form" (Ibid.). In the book, Sun proposed the creation of a new form of "International Organisation" that would facilitate China's development by introducing into the country foreign capital, technology and expertise: "I suggest that the vast resources of China be developed internationally under a socialistic scheme, for the good of the world in general and the Chinese people in particular. [...] Thus,

the root of war will be forever exterminated so far as China is concerned.” (Yat-sen Sun 1920, v). The world would benefit from China’s resources, while China would, in exchange, get the means it needed for its economic and industrial revolution. (China’s industries, however, were to be put into a trust owned by the Chinese people (ibid.).) Sun was hoping to mobilize international development assistance for his development goals but failed to get support from the League of Nations at the 1919 Paris Peace Conference (Helleiner 2014b, 377)

The Chinese official discourse draws a link between Sun’s and China’s relations with developing countries by pointing to an essay written by Chairman Mao Zedong 毛泽东 (1893-1976) in 1956 to commemorate Sun, as can be traced in a number of articles, including by prominent aid scholars such as Zhou Hong 周弘 (2009), professor at the Chinese Academy of Social Sciences (CASS), and Liu Hongwu 刘鸿武 (2015), Dean of the Africa Institute of Zhejiang Normal University. Mao wrote:

In memory of the great revolutionary forerunner Dr. Sun Yat-sen!

To commemorate his great achievement in developing the “Three Principles of the People” [...]

He left us a lot of useful things in political and ideological aspects.

[...] Being a country with 9.6 million square kilometres of land and 600 million people, China should make a greater contribution to mankind. In the past, we have contributed too little, and it makes us ashamed.

纪念伟大的革命先行者孙中山先生!

他在政治思想方面留给我们许多有益的东西。

[...] 中国是一个具有九百六十万平方公里土地和六万万人口的国家，中国应当对于人类有较大的贡献。而这种贡献，在过去一个长时期内，则是太少了。这使我们感到惭愧。

(Mao Zedong 毛泽东 1956)

Quoting Mao’s quoting Sun, Liu Hongwu (2015, 3) writes that “helping the people of Asia, Africa and Latin America in their cause of independence and liberation and making greater contributions to mankind become an ideal and long-term goal of the leaders of new China” (帮助亚洲、非洲和拉丁美洲人民的独立和解放事业，为人类作出更大的贡献，已成为新中国领导人的理想和长远目标). Thus, it appears that Sun’s ideas, which was originally directed at China, influenced China’s thinking about aid giving. Hereby, the domestic quest for technology-led modernisation to achieve economic strength and political independence was extended to the whole of “undeveloped” (*bufada* 不发达) countries. Liu Shaoqi 刘少奇 (1989-1969), the third most powerful Communist leadership figure after Mao Zedong and later Premier Zhou Enlai, linked in 1946 China’s “transition to a more industrialised economy” to “national independence” and argued that a course chosen by China would influence other

countries in Southeast Asia facing similar conditions.³¹ Zhou Enlai, in 1956, explained the reason why China wanted to support the economic development of other countries with the recognition that China's political independence was dependent on its economic independence:

we have understood that economic independence is of major significance for consolidating political independence. Therefore, while we advance the building up of our own economy, we wish, within the bounds of our possibilities, to contribute our meagre forces to help the economic development of other countries.

由于我们认识到，经济上的独立对于巩固政治上的独立具有重要的意义，我们在自己进行经济建设的同时，也愿意在可能的范围内贡献我们的微薄力量，帮助其他国家的经济发展。³²

(Zhou Enlai 周恩来 1956)

Although Zhou did not use the term *minsheng*, his statement – read against Mao's commemorative essay – appears to reflect Sun's idea that *minsheng* is the precondition to safeguarding national self-determination. In Zhou's time and in the context of the Cold War, to support the improvement of *minsheng* in other countries, also meant strengthening them against external political influence. In present day's official rhetoric on Chinese *foreign aid*, *minsheng* still occupies a similar space, though it can be observed that it has been separated into “economic development” (*jingji fazhan* 经济发展) and “people's livelihood” (*minsheng* 民生), while Sun's original notion included both. In the 2014 *China's Foreign Aid* White Paper, “helping to improve people's livelihood” (推动民生改善) is described as support to agricultural development, education, medical and health services, public welfare facilities, and humanitarian aid, while “promoting economic and social development” (促进经济社会发展) refers to transport, energy and digital infrastructure construction, trade-related infrastructure and production capacities, and renewable energies (though, this mostly relates to hydropower plants) (SCIO 2014b). Their function, however, is the same: to “strengthen the capability for self-directed development” (增强自主发展能力) (Ibid.). China's President Xi Jinping 习近平

³¹ Interview with Liu Shaoqi by the American Journalist Anna Louise Strong in Yunnan in 1946. Strong transcribed Liu's statement as: “China is a semifeudal, semicolonial country in which vast numbers of people live at the edge of starvation, tilling small bits of soil. In attempting the transition to a more industrialized economy, China faces the competition and the pressures – economic, political and military – of advanced industrial lands. This is the basic situation that affects both the relations of social classes and the methods of struggle towards any such goal as national independence and a better, freer life for the Chinese. There are similar conditions in other lands of Southeast Asia. The course chosen by China will influence them all.” (Strong 1947, 182)

³² The passage is part of a speech given by Zhou at the third session of the first National People's Congress on 28 June 1956 and presented a resumé of his participation at the Bandung Conference.

(1953-), for example, in his speech at the South-South Co-operation Roundtable hosted by China during the UN Sustainable Development Goals Summit in 2015, spoke of China being “still a developing country, and still committed to South-South Co-operation 但仍然是一个发展中国家，对南南合作仍然重视如初” and helping LDCs, landlocked developing countries and island developing countries to “enhance their respective capacities for independent development (提高自身发展的能力) (Xi Jinping 习近平 2015a). At the Summit, Xi also committed new projects “to help developing countries to develop their economies and to improve the people’s livelihood” (帮助发展中国家发展经济，改善民生). China’s foreign minister Wang Yi 王毅 linked China’s development lending in the context of the Belt and Road Initiative to the improvement of *minsheng*: “through the BRI, developing countries can learn from China’s experience and realize economic development and improvement of the people’s livelihood” (发展中国家可以通过共建“一带一路”借鉴中国有益经验，实现经济发展和民生改善) (Xinhua 新华 2019). Hereby, ideal of technocratic modernisation which was inherent to Sun Yat-sen’s *Minsheng* philosophy is (still) being extended to the whole of “developing” (*fazhanzhong* 发展中) countries – the “modern” term that has replaced the earlier descriptions “undeveloped” (*bu fada* 不发达) or “backward” (*luohou* 落后) – similarly like Liu Shaoqi did it in 1946 and Zhou Enlai in 1956.

An additional aspect I would like to point out here, which is rarely mentioned in academic discourses on Chinese aid or the development of the international aid architecture, is that many of the *Minsheng* ideas seem to have been incorporated into the Bretton Woods system that created the IMF and the World Bank.³³ Although Sun Yat-sen’s proposal of a new international development organisation was rejected by the League of Nations at the 1919 Paris Peace Conference, the Guomindang got the chance to present his ideas during the Bretton Woods conference in 1944. As outlined by Eric Helleiner, one of the few scholars to study China’s role in the history of Bretton Woods, a Chinese delegation led by Kong Xiangxi 孔祥熙 (1914-

³³ The Bretton Woods Conference, formally known as the United Nations Monetary and Financial Conference, took place between 1 to 22 July 1944, in Bretton Woods, United States. Attended by 44 allied nations, its purpose was to regulate the international monetary and financial order after the World War II. The Bretton Woods agreements established the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF). The IBRD, together with its concessional lending arm, the International Development Association (IDA), are collectively known as the World Bank. For a historical overview, see, for example, Morgenthau (1945) and Bordo (1993).

1967) – Sun Yat-sen’s brother-in-law, and then Minister of Finance and head of the Central Bank – played an active role in the discussions and was extensively consulted by the U.S. government (Helleiner and Momani 2014; Helleiner 2014a, 2014b). The U.S. President Franklin D. Roosevelt (1882-1945) saw China as one of the major powers that would help govern the world post-World War II next to the United States, Great Britain and the Soviet Union (Helleiner and Momani 2014, 57). While reiterating Sun’s calls for large-scale industrialisation and agricultural development and modernisation program for China, the Chinese delegation also stressed the need for the “provision of long-term capital to aid in developing the resources and raising the international standard of living of underdeveloped regions” broadly (Helleiner 2014a, 49-51). Helleiner (2014b, 378) concludes that although it is not clear how much influence China ultimately had, the International Bank for Reconstruction and Development (IBRD), established to support post-World War II reconstruction, reflected many of Sun’s ideas.

1.2 The Civil War era origins of “no strings attached” aid for “self-reliant development”

According to the *China’s Foreign Aid* White Paper, foreign aid should serve the objective of “raising the capability for self-directed development” (提高自主发展能力) of recipients (SCIO 2011a, 2014). *Zizhu fazhan* 自主发展, which translates as “self-directed development” is an alteration of the earlier Maoist term *zili gengsheng* 自力更生. *Zili gengsheng* has been usually translated into English as “self-reliance”, including in official English language translations by the Compilation and Translation Bureau (*Zhongyang bianyi ju* 中共中央编译局) under the Central Committee of the Communist Party. This translation is slightly misleading for the following reason: the Cambridge Dictionary explains “self-reliance” as “the quality of not needing help or support from other people, while in Chinese, *zili gengsheng* has the connotation of “regeneration through one’s own power and effort” (靠自己的力量重新振作起来) or “to regain life” (重新获得生命) (*Baike cidian*). While “self-reliance” describes a state, *zili gengsheng* describes a process of development, of which “self-reliance” in the English sense may be an outcome (Yang 2019, 231–326).

In the CCP, the term was introduced by Mao during the second Sino-Japanese War (1937-45), when the communists had to manage the economic isolation in their bases in Northeast

China.³⁴ It became an official formulation within official Party discourse, after Mao's speech in Yan'an on 13 August 1945, in which he argued that China's policy "should rest on our own strength, and that means regeneration through our own efforts" (放在自己力量的基点上, 叫做自力更生) (Mao Zedong 毛泽东 1945). While the term evolved to become a principle of both domestic and external relations – including *foreign aid* – during the 1950s and 1960s, after the beginning of "Reform and Opening" 改革开放 in 1978, it was virtually discounted in the official communication of Chinese leaders, as many saw it as reminiscent of Mao's isolationism. Instead, it was largely replaced by *zizhu fazhan* 自主发展, "self-directed development". After 2005, *zili gengsheng* resurfaced in the official and semi-official debates about the differences between Chinese and "Western" aid and has experienced a broader resurgence since Xi Jinping came to power as China's president.

In the official aid discourse, the notion of "self-directed" development is always spelled out together with the notion that when providing aid, China "does not impose any political conditions" (不附带任何政治条件).³⁵ This is, for example, the case in the *China's Foreign Aid* white papers (SCIO 2011a, 2014) and in Zhou Enlai's "Eight Principles of Chinese Foreign Aid" of 1964, which till today constitute the basic principles of Chinese aid (I explain the genesis of the Eight Principles in section 1.4.2 in this chapter). In Western discussions of Chinese aid during the Mao era, *self-directed/reliant development* and *non-conditionality* have often been reduced to "propaganda" (Copper 2016a, 13; Lin 1993, 55) or a tool to acquire political status (Brazinsky 2017, 72–73), while more recently it is attributed to China's emphasis on its own economic goals (Taylor 2008; Export-Import Bank of the United States 2007). What both discussions have in common, is that in essence they reduce *self-directed/reliant development* and *non-conditionality* to little more than slogans. In the

³⁴ The origins of the term are linked to China's defeat in the Opium Wars (1840-1842 and 1856-1860), the experience of (semi-) colonialism, and the resulting Self-strengthening Movement, *Ziqiang yundong* 自强运动 (1861-1895). The core idea of the movement was *zhongxue wei ti, xi xue wei yong* 中学为体, 西学为用, to take "Chinese learning as substance, Western learning for application", which puts an emphasis on Chinese values while at the same time pursuing modernisation with foreign technical skills and scientific knowledge. It was popularised by the Qing dynasty official Zhang Zhidong 张之洞 (1837-1909) in his 1898 published book *Quanxue pian* 劝学篇 (*Exhortations to Study*) (Zhao 2000; Karl 2002).

³⁵ One exception to the non-conditionality is the "One China Principle", which means that China would not provide foreign aid to countries that diplomatically recognize Taiwan. However, this does not apply to humanitarian aid: China provided emergency relief to Haiti after the Earthquake of 2010, although Haiti recognizes Taiwan (see Ericson 2010).

following part of this chapter I will challenge this assumption by tracing the factors that first contributed to their emergence.

I argue that there is a plausible correlation between the Chinese Communists asking the U.S. for economic and technical assistance in the period between 1945 and 1949 – and the U.S. refusing to aid, and the formation of PRC’s early foreign aid thinking. The known sources document two points in time at which the Communist specifically approached U.S. representatives in China: Early in 1945 and in June 1949, shortly before Mao’s proclamation, China would “Lean to One Side” (*yi bian dao* 一边倒) and politically align with the Soviet Union. The first major foreign policy document of the CCP’s Central Committee (CC) (*Zhonggong zhongyang weiyuanhui* 中共中央委员会), “Instructions of the CCPCC on Diplomatic Work” (*Zhonggong zhongyang guanyu waijiao gongzuo de zhibiao* 中共中央关于外交工作的指示), which was published in August 1944, one month after the Bretton Woods conference, contained specific references to the possibility of “receiving direct international assistance” (取得国际直接援助) (NAAC 1992, 315). It also stated that the CCP would “welcome international investment and technical co-operation under the principle of mutual benefit” (在双方有利原则下, 我们欢迎国际投资与技术合作) (ibid., 317). It does not contain any references to “self-reliance”, which suggests that at this point, “self-reliance” was not yet the official line. The document, reportedly, was drafted by Zhou Enlai (*Zhonggong Chongqing shiwei dangshi yanjiushi* 中共重庆市委党史研究室 2012), the CCP’s top foreign policy thinker who later became the PRC’s first foreign minister (1949-1958) and the Premier of the State Council (1949-1976).³⁶ Mao Zedong himself, though generally sceptical of the U.S., reportedly praised Roosevelt’s policies towards China and believed him to be a representative of progressive forces in the U.S. government (comparing his role later to that of Sun Yat-sen) (Westad 1993, 61–69).

³⁶ For research on the diplomacy of Zhou Enlai see for example Ronald C. Keith (1989), *The Diplomacy of Zhou Enlai*; and Barbara Barnouin and Yu Chenggang (2006), *Zhou Enlai. A Political Life*.

1.2.1 First Case: Mao to Service in 1945

In January 1945, Mao and Zhou sent a “strictly off-record” telegram to the commander of U.S. forces in China during 1944 to 1945 (Guomindang leader Chiang Kai-shek’s (Jiang Jieshi 蔣介石, 1887-1975) Chief of Staff) General Wedemeyer, asking to organise a meeting with President Roosevelt in Washington (FRUS 1945b, VII, Doc. 155). In March 1945, when the Second Secretary of the U.S. Embassy in China, John Stuart Service, visited the Communist base in Yan’an, Mao inquired about U.S. economic assistance. Service transcribed Mao’s request as follows (FRUS 1945a, VII, Doc. 195):

China's greatest post-war need is economic development. She lacks capitalistic foundation necessary to carry this out alone. Her own living standards are so low that they cannot be further depressed to provide the needed capital. America and China complement each other economically: they will not compete. [...] America needs an export market for her heavy industry and these specialized manufactures. She also needs an outlet for capital investment. China needs to build up light industries to supply her own market and raise the living standards of her own people. [...] To help pay for this foreign trade and investment, she has raw materials and agricultural products. America is not only the most suitable country to assist this economic development of China: she is also the only country fully able to participate. For all these reasons, there must not and cannot be any conflict, estrangement or misunderstanding between the Chinese people and America. [...] Neither the farmers nor the Chinese people as a whole are ready for socialism. They will not be ready for a long time to come. It will be necessary to go through a long period of private enterprise, democratically regulated. To talk of immediate socialism is “counterrevolutionary” because it is impractical and attempts to carry it out would be self-defeating.

As the text shows, Mao presented to Stuart a model of foreign assistance that was in line with the “we welcome international investment and technical co-operation under the principle of mutual benefit line” statement in the “Instructions of the CCPCC on Diplomatic Work” document of 1944 quoted above. Mao’s suggestion to focus on industry and agriculture corresponded with Sun Yat-sen’s *Minsheng* ideas. The specific notion that China would offer access to (natural) resources in exchange for loans and investment shows that the concessional lending approach that is at the core of China’s *foreign aid* model today dates back to the pre-PRC period and is an “export” of a policy Chinese leaders considered as beneficial for China already then. This historical example adds to the literature about the intellectual origins of concessional loans, which became the central instrument of Chinese development assistance from 1995 onward: For instance, Brautigam (2009, 47-56) has argued that concessional loans in the form of “resources for credit swaps” agreements, such as those between China and Angola in 1994 (as well as the more recent “resources for infrastructure swaps” in Ghana (Olander 2019)), were an adaptation of the Japanese aid model, as they closely resembled the

post-1978 agreements between Japan and China. The passage above shows that the evaluation of resources for credit swaps as a generally positive approach that promotes development and is “mutually beneficial” goes back further than 1978, to Mao, and thus actually to Sun Yat-sen, because Mao's thinking on development was, as noted above, apparently influenced by Sun.

Roosevelt died in April 1945, and therefore Mao's request for talks with him never manifested.³⁷ Roosevelt was succeeded by his Vice-President Harry Truman (1945-1953), and as it has been extensively documented, in August 1945, the U.S. declared its full support Chiang Kai-shek and the Guomindang, which led to an escalation of the Chinese civil war (see Westad 1993, ch. 4). Mao, in turn, declared in his Yan'an speech on “The political situation and our strategy after the victory of the Anti-Japanese war” (*Kang Ri zhanzheng shengli hou de shiju he women de fangzhen* 抗日战争胜利后的时局和我们的方针) on August 13, 1945, that China would pursue *regeneration through its own efforts*.

On what basis should our policy rest? It should rest on our own strength, and this is called regeneration through our own efforts. We are not alone; all the countries and people in the world opposed to imperialism are our friends. Nevertheless, we stress we stress regeneration through our own efforts [.] Chiang Kai-shek, on the contrary, is totally dependent on American imperialist aid and the backing of American imperialism.

我们的方针要放在什么基点上？放在自己力量的基点上，叫做自力更生。我们并不孤立，全世界一切反对帝国主义的国家和人民都是我们的朋友。但是我们强调自力更生，我们能够依靠自己组织的力量[。] 蒋介石同我们相反，他完全是依靠美国帝国主义的帮助，把美国帝国主义作为靠山。

(Mao Zedong 马泽东 1945)

The specific contrasting of it with the U.S. aid given to the Guomindang with the CCP's “regeneration through our own efforts” raises the question of whether *zili gengsheng* – which had originally been developed in Yan'an a strategy to survive through the Japanese occupation (Yang 2019, 231–326) – was in fact not the CCP's (or Mao's) first choice, but a reaction to the denied U.S. aid.

³⁷ The US ambassador to China, Patrick J. Hurley, forwarded Stuart's memorandum of his meeting with Mao to the US Secretary of State, with a comment that indicated his disapproval with the fact that Stuart met Mao in the first place: “As the Department is aware from Mr. Service's reports from that post, he has shown himself to be very favorably disposed toward the Communists and also on occasion to be most unfriendly to the Nationalist Government of Generalissimo Chiang Kai-shek. It is my impression, which is amply supported by Mr. Service's reports and dispatches, that he cannot therefore be considered as an impartial observer[.]” (FRUS 1945c, VII, Doc. 246).

1.2.2 Second Case: The “Zhou Demarche” and the (supposed) liberal wing

While the first Communist approach in 1945 was relatively straight, the second, dating to Mai/June 1949, is part of the so-called “Zhou Demarche”, which till today has remained one of the big unresolved questions in China Studies (see for example Shaw 1982; Westad 1993; Zhang 2001; Heinzig 2015). The “Zhou Demarche” refers to a secret message supposedly by Zhou Enlai that was passed orally to the U.S. consulate in Beiping on May 31, 1949 – and which Zhou asked to be passed to the highest American authorities without mentioning his name, saying he would deny it if it would be ever attributed to him (FRUS 1949 VIII, Doc. 425). He explained that there were serious “development disagreements” in the CCP regarding industrial-commercial policies and international relations between the liberal wing, represented by Zhou, who advocated for the U.S., and possibly British aid for China; the radical wing, represented by Liu Shaoqi, who wanted an alliance with the Soviet Union. As efforts to form a coalition with the Guomindang (which the liberal wing advocated) failed, China now needed aid from outside. Zhou made it clear that he preferred getting help from the U.S. as he did not trust the Soviet Union’s foreign policy and did not believe it could provide the aid China needed. In his eyes, China was on the brink of collapse, “in such bad shape that [the] most pressing need [was] reconstruction without regard [to] political theories”. The U.S., he argued, should aid China because:

(1) China [is] still not Communist and if Mao’s policies are correctly implemented [it] may not be so for long time; (2) [a] democratic China would serve in [the] international sphere as [a] mediator between [the] Western Powers and [the] USSR; (3) China in chaos under any regime would be [a] menace to peace [in] Asia and [in the] world.

Finally, he expressed his hope that the U.S. authorities who had personal contact with the Communists would believe that there were “genuine liberals in party who are concerned with everything connected with welfare Chinese people and “peace in our time” rather than doctrinaire theories.” Heinzig (2015, 249) notes that Britain also received a similar message.

The authenticity and sincerity of Zhou’s message have been widely debated in the literature. What is striking is that his line of arguments is very similar to the points raised by Mao in his meeting with John Stuart Service in March 1945 (FRUS 1945, VII, Doc. 195), when he asked Service to transmit his request to Roosevelt. Therefore, it appears plausible that there had been a wider preference for U.S. assistance, but Mao shifted his position during the Civil War. What is known is that two U.S. diplomatic cables document implicit or explicit requests for U.S. aid. The first one is a telegram by the U.S. Consulate in Shanghai Cabot from 6 June 1949, which reports about Marshall Chen Yi 陈毅 (1901-1972) (who had become the Mayor of the recently

conquered Shanghai) who at an internal meeting reportedly expressed that the Communists would accept aid in the form of loans, technical assistance or other help of Marshall Plan nature from the U.S. or Britain, “if presented on the basis of equality with no strings detrimental to Chinese sovereignty attached.” (FRUS 1949 VIII, Doc. 438) The second is a telegram by the U.S. Ambassador in China John Leighton Stuart sent to the U.S. Secretary of State on 9 June 1949 which informs about a meeting between Huang Hua 黄华 (1913-2010) and Stuart’s personal secretary Fu Jingbo 傅泾波 (Philip Fugh, 1900-1988) that took place a day earlier, on 8 June. Huang was Zhou’s right hand and de-facto the Communists’ vice foreign minister (Heinzig 2015, 234). At the meeting, Huang reportedly said that “the CCP is anxious to have economic recovery for Chinese people; [and] that this goal requires (1) end to civil war and (2) receipt of American aid which will be decisive (FRUS 1949, VIII, Doc. 447). According to Stuart, it was the first time Huang ever mentioned U.S. aid. The meeting was one of many regular interactions, and it is important to highlight that there was a longstanding personal relationship between Huang, Fu and Stuart: Huang and Fu had been fellow students at Yanjing University in Beiping,³⁸ which was founded by Stuart during the 1930s; and Huang was personally known to Stuart, who was then the university president (Heinzig 2015, 234).

Heinzig (2015, 254 ff.), after a careful examination of the primary sources, concludes that the opposition between the liberal and radical wings as presented in the “Zhou Demarché” most likely never existed (even if Soviet assessments saw the communists in a “contradictory position” between the USA and the Soviet Union (p. 238)). However, it must be emphasised here that the statements of Zhou, Huang and Chen explicitly contradicted Mao’s instructions. Mao had strictly opposed sending out any signals that the CCP might still be interested in U.S. aid. In a telegram sent on 10 May 1949, Mao instructed Huang Hua not to ask for U.S. aid in an upcoming meeting with Stuart. The following text passage is Mao’s response to a previous telegram sent to him by Huang, in which Huang suggested asking the U.S. “to do more to the benefit of the Chinese people” (需要美首先做更多有益于中国人民的事):

If you speak like that, you will give the Americans the impression that the CCP also hopes the get American aid. Now we are asking the U.S. to stop its aid to the Guomindang, sever its ties with the remnants of the Guomindang, and never again interfere in China’s internal affairs. We’re not asking the U.S. “to do something for the benefit of the Chinese people”, and less so “to do

³⁸ Beiping 北平 (literally: Northern Peace) was the name of Beijing from 1928 to 1949.

more for the benefit of the Chinese people.” If you use these words, it will appear [that we think] that the U.S. government has already done a number of things for the benefit of the Chinese people, but it just could have done a little bit more, and now we have to ask them to do a little bit more. It’s inappropriate to say this.

你们这样说可能给美国人一种印象，似乎中共也是希望美国援助的。现在是要求美国停止援助国民党，割断和国民党残余力量的联系，并永远不要干涉中国内政的问题，而不是要求美国做什么“有益于中国人民的事”，更不是要求美国做什么“更多有益于中国人民的事”。照此语的文字说来，似乎美国政府已经做了若干有益于中国人民的事，只是数量上做得少了一点，有要求他“更多”地做一些的必要，故不妥当。

(Mao Zedong 毛泽东 1949a)

Mao’s opposition would explain Zhou’s secrecy and the fact the Huang Hua did not mention his aid request to Fu Jingbo in the account of him meeting with him in his memoirs.³⁹

Meanwhile, in late June, Liu Shaoqi made a secret trip to Moscow and conveyed to Stalin that the CCP had reached the consensus to accept Moscow as the headquarters of the international Communist movement. It would recognise the Soviet Union’s right to use Lushun (Port Arthur), recognise (Outer) Mongolia’s independence, and not seek compensation for the equipment the Red Army had removed from Manchuria. But in turn, Liu expected the Soviet Union would be the first country to grant the PRC diplomatic recognition and provide economic and technical assistance (Zhang 2001, 60-61).⁴⁰ After Liu Shaoqi agreement with Stalin on 27 June, of which Mao learned a day later, he formally proclaimed the “Leaning to one Side” (*Yi bian dao* 一边倒) policy: Having to choose between the two sides of Imperialism and Socialism, China, he declared, will lean on the side of Socialism and align with the foreign policy of the Soviet Union (Mao Zedong 毛泽东 1949b). For a long time, scholars maintained that Mao’s “Leaning to one Side” speech (which he gave on 1 July 1949) preceded Liu Shaoqi’s agreement with Stalin and that the speech was given to create a more favourable atmosphere for the talks, knowing that Stalin still was sceptical of him (see for example Zhang 2001, 60 ff.; Heinzig 2015, 2003). Shen Zhihua 沈志华 and Xia Yafeng 夏亚峰 (2015, 33) attribute the

³⁹ Heinzig discusses the possibility that Stuart’s account of Huang’s request was not correct, but he concludes that there is enough evidence for it to be authentic (Heinzig 2015, 243).

⁴⁰ Liu also conveyed that the CCP would (1) “continue the struggle against the imperialist countries until the accomplishment of complete independence for the Chinese nation”; (2) “stand together with the Soviet Union and other new democratic countries in the international effort to oppose new world war and protect world peace and democracy”; (3) “try to exploit contradictions among and within the capitalist countries”; and (4) “promote trade relations between China and all foreign countries, especially the Soviet Union and all the newly democratic countries, under the premise of equality and mutual benefit” (Zhang 2001, 60–61).

incorrect temporal classification to errors in the memoirs of those, who were involved in Liu Shaoqi's trip to Moscow. They conclude that "Leaning to one Side" was a direct outcome of Liu's talk with Stalin – and provided Mao with an incentive to make a decision and a public statement.

What I have outlined here flies in the face of the assumption made by John F. Copper (2016a, 88–89) in his volume *China's Foreign Aid*, namely that after 1949: "Mao could not, for ideological reasons, seek help from the United States or other Western countries. He and other top members of the Chinese Communist Party viewed the United States with hostility for helping Chiang Kai-shek before and during the Chinese civil war." Mao could not approach the U.S. and other Western countries for aid because the Communists tried it (irrespective of whether it was genuine or not) and were denied. Henri Kissinger, then National Security Advisor the U.S. President Richard Nixon, wrote upon his secret visit to Beijing in 1971 that the CCP's advances were ignored by American officials who wished to see a strong, united nationalistic China emerge in Asia as a counterweight to Soviet and Japanese influence (FRUS 1969–1976 E-13, Doc. 86).⁴¹ But more than that, the information about the aid requests was suppressed by the U.S. State Department when it released documents on Chiang Kai-shek's defeat in 1949. It was declassified only in 1969, under Richard Nixon, who shortly afterwards initiated a rapprochement with China.⁴²

1.2.3 The Birth of Aid for Self-Reliance

We know for certain that the assumed liberal wing indeed turned out to be the liberals in the PRC. All of the names mentioned above would also play a central role in China's foreign and foreign aid policy. Zhou Enlai, who, as I will show in this chapter, was the architect of

⁴¹ Henry Kissinger (1923–) served as the National Security Advisor to US President Richard Nixon from 1969. In July 1971, he made a secret trip to China to talk with Zhou Enlai, paved the way for the 1972 summit between Nixon and Mao and led to a formalisation of relations between China and the US.

⁴² According to a testimony by Allan Whiting before the US Congress in 1971, "not only did Washington rebuff these efforts by the Chinese Communists to avoid an exclusive dependence on Moscow", it later also "suppressed all information about them in the hundreds of pages of documents and commentary released in 1949, supposedly to inform American people of the full facts about Chiang Kai-shek's defeat and our policy toward China." (USCFR 1972, 195); Shu Guang Zhang (2001, 24–25) attributes that to the "China Lobby", a loosely organised lobbying group that exploited the Missionary Movement on Chiang Kai-shek's behalf, and shaped the US public discourse towards China. Chiang had converted to Christianity after marrying Song Meiling, and thereupon advocated a Christian reform of China. On Chiang's Christianity, see Bae Kyoungan (2009), "Chiang Kai-Shek and Christianity: Religious Life Reflected from His Diary".

Chinese foreign aid, served as Foreign Ministers (1949-1958) and Premier (1949-1976) of the PRC. Chen Yi served as Vice-Premier next to Zhou (1954-1972) and as Foreign Minister (1958-1972); he accompanied Zhou on his trip to Africa in 1964, where Zhou assisted by his delegation (and thus most likely also by Chen) developed, and announced the “Eight Principles of Foreign Aid” (which, as I have mentioned, till today serve as the guiding principles of Chinese foreign aid).⁴³ Huang, whom many considered to be Zhou’s closest associate and whose diplomatic career was surpassed only by Zhou himself (W. I. Cohen 1987, 284), served in the Foreign Ministry from 1950 on and accompanied Zhou to the Bandung Conference in 1955; furthermore, he was China’s ambassador to Ghana during Zhou’s Africa trip, and thus was also likely involved in the development of the “Eight Principles” (Huang Hua 黄花 2008). Later, Huang played an important role in China’s rapprochement with the U.S., served as the PRC’s first permanent representative to the UN after the UN seat was transferred from the Republic of China to the PRC, and oversaw the establishment of diplomatic relations with the U.S. as foreign minister after Mao’s death.

If the aid requests were genuine, they might have been motivated by the “Point Four Program” – a new technical assistance program for “underdeveloped areas” launched by Truman upon his election to president in 1948 (it was the fourth point in his inaugural speech on January 20, 1949):⁴⁴

[W]e must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people. The United States is preeminent among nations in the development of industrial and scientific techniques. The material resources, which we can afford to use for assistance of other peoples, are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.”

(Truman 1949)

⁴³ Zhou and Chen had a long-standing personal connection: both were part of a group of students who went to France on a work-study scheme in the early 1920s, which also included the liberal Deng Xiaoping 邓小平 who would lead China’s “Reform and Opening” after 1978. Liu Shaoqi, on the other hand, has studied in Moscow.

⁴⁴ The “Point Four Program” is often held up as the starting point of (modern) development assistance (see, for example, Willis 2011, 43).

“Point Four” was a promise to the developing countries that they could benefit from the advanced industrial and scientific position of the U.S. to overcome their poverty. However, at the same time, like the Truman Doctrine and the Marshall Plan, it was part of the U.S. Cold War policy, aimed at containing the expansion of Soviet influence. If Zhou had envisioned for China to be one of the “undeveloped areas” to benefit from the resources of Truman’s “Point Four Program”, then the final response was that China was on the wrong side. Thus, Zhou’s strong critique of U.S. aid as being “*so-called aid*” (所谓援助), namely an aid that was conditional on political alignment and not primarily guided by the economic needs of the recipient (I will explore this in more detail in the following section) may have been not just “ideological”, but actually grounded in the U.S. refusal to provide economic assistance for political reasons. I see it reflected in the following speech on “Internal-External Relations” (内外关系) and “New China’s Economy” (中国经济), which Zhou gave on 22 December 1949 to party cadres; in it, he painted a contradiction between U.S. imperialism, which only granted aid to those who politically aligned with it by “surrendering to U.S. imperialism” (向美帝国主义屈服) – and “our” (我们的), meaning China’s idea of aid for “regeneration through its own efforts” based on “equality and mutual assistance” (平等互助):

Should [our] nation-building be based on our own strength or foreign aid? Our recovery will be based on our own strength; it will be primarily based on regeneration through our own efforts. [...] We must be self-reliant in production and construction, and we must be independent in our politics. The embargo imposed upon us by U.S. imperialists has brought us great difficulties, but we cannot surrender to U.S. Imperialism because of them. Not only must we endure these difficulties, but the embargo and [the U.S. supported GMD] air raids [on China’s industrial cities] are forcing us to find new ways to build our country. [...] We are not afraid of the imperialists not wanting to trade with us. Now, of course, we cannot rely on their help. [...] We welcome help from our friends on the basis of equality and mutual assistance. This real aid will help us to become self-reliant.

国家建设是以国内力量为主还是以国外援助为主？我们的回答是以国内力量为主，即自力更生为主。... 生产建设上要自力更生，政治上要独立自主。美帝国主义封锁我们，给我们带来很大的困难，但我们决不能因此就向美帝国主义屈服。我们不但要经受这些困难，并且，正因为封锁和轰炸，逼迫着我们多想些办法，建设好我们的国家。... 帝国主义不同我们做买卖并不可怕。现在我们当然不能依靠他们。... 我们欢迎友邦在平等互助基础上的帮助。这种真正的帮助，有助于我们自力更生。

(Zhou Enlai 周恩来 1949)

The first two sentences correspond with Mao 1945 *zili gengsheng/self-reliance* Yan’an speech. However, where I see a difference (and thus an evolution of thought) is the placement of *self-reliance* next to the achievement of *political independence* (政治上独立自主), which I

read here as correlated. Any aid to China should be based on equality and help it to become economically independent in order to safeguard its political independence. Together with Sun Yat-sen's ideas, this, as I will show in the following section, would also become the centrepiece of China's rhetoric about its own aid *giving*.

1.3 The Emergence of the Relational Foreign Aid Approach in the 1950s⁴⁵

It had puzzled quite a few present-day economists in the West hemisphere why the PRC started giving aid in the early 1950s when it needed its resources to build its own economy (Fuchs and Mueller 2017). However, contrary to a widespread assumption that aid as a general rule is (or at least should be) altruistic, there is a broad consensus in the international relations (IR) literature on aid-giving by Western donors that aid as stated by Hans Morgenthau (1962) in “A Political Theory of Foreign Aid” is interest-driven and inherently political. As Dreher et al. (2018) note in their research on the determinants of Chinese aid allocation, the theories provide “few reasons why one would expect non-Western donors to behave much differently.” Indeed, Chinese official sources have always admitted that foreign aid is an important instrument of China's diplomacy. The *China's Foreign Aid* white paper of 2011, for example – in both Chinese and English versions – tells that “through foreign aid, China has consolidated friendly relations and economic and trade co-operation with other developing countries” (中国的对外援助，发展巩固了与广大发展中国家的友好关系和经贸合作) (SCIO 2011a). As can be derived from the following excerpt from a speech by the former Minister of Commerce Gao Hucheng 高虎城 (2016), *friendly relations*, in this context, stand for diplomatic recognition and diplomatic support in international organisations: “In 1971, with the help of foreign aid, China gained the wide support of Third World Countries, succeeded in breaking out of the political encirclement and entered the United Nations.” (1971 年我国依靠对外援助赢得第三世界国家广泛支持，成功实现政治突围，进入了联合国。) After the Korean War, foreign aid (notwithstanding its development intent) became a strategic foreign policy tool to help China break through its international isolation and reduce the likelihood of further

⁴⁵ Parts of this chapter are built upon a co-authored book chapter with the political economist Andreas Fuchs “The Motives of Chinese Foreign Aid”: in Zeng, Ka (Ed.), *Handbook on the International Political Economy of China*, Cheltenham/Northampton: Edward Elgar Publishing, 2019: 392–410 (Fuchs and Rudyak 2019). All the parts related to the analysis of original Chinese documents were researched and written by me, while the econometrics part and economic analysis were compiled by Andreas Fuchs.

involvement in costly wars. When the PRC was founded in October 1949, excluded from the United Nation, where the China seat was occupied by Guomindang, which represented the Republic of China (ROC) on Taiwan. On the economic front, the U.S. partial embargo against the Soviet Union and its satellite states of 1947 was extended to a total embargo in April 1951 in response to China's entering the Korean War, shortly the United Nations passed similar multilateral sanctions (FRUS 1951b VII pt. 2, 1988).⁴⁶ While the effects of the United Nations (UN) Resolution on China were probably more psychological, the effects of the U.S.' total economic embargo must have been much more immediate. In the post-war period between 1946-1948, the U.S. had become China's most important trading partner, supplying 48-57 per cent of China's total imports and taking 20-38 per cent of its total exports (Zhang 2001, 28–29). Thus, when Zhou Enlai offered newly independent countries at the Asian-African Conference in Bandung in May 1955 to provide economic and technical assistance, he did so for the purpose of establishing “friendly co-operation” (*youhao hezuo* 友好合作) while arguing China came to Bandung not to propagate Communism but to “seek common ground while reserving differences” (*qiutong er cunyi* 求同而存异).

With that brief introduction, I want to make the argument that Chinese foreign aid policy was (and still is) *relational*. Sinophone international studies scholars have long highlighted the relationality of Chinese foreign policy, and have argued that (so-called) mainstream IR theories fail to explain it adequately: The Taiwanese political scientist Shih Chih-yu (Shi Zhiyu) 石之瑜, Professor and National Taiwan University (NTU; *Guoli Taiwan Daxue* 国立台湾大学), for example, suggests that China's foreign policy has a proclivity for long-term relational thinking which is grounded in Confucian philosophy, and its ultimate concern is not maintaining stability through common rules, but through stable relationships (Shih 2013; Shih and et al. 2019). The foreign policy behaviour may therefore contradict *realist*, *liberal*, and *constructivist* schools of thought, which conceptualise foreign policy of all states as the pursuit of a common set of national interests: security through power in *Realism* (H. Morgenthau 1962;

⁴⁶ The US embargo ordered to “license no goods whatever for export to Communist China, [and to] prohibit ships and planes from calling at its ports or carrying any goods destined for its ports” (FRUS 1951a VII pt. 2, Doc. 280). Upon the US initiative, in May 1951, the UN General Assembly adopted the Resolution 500 (V), which called for an embargo of “arms, ammunition, and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition and implement of war” (FRUS 1951b VII pt. 2, 1988).

Waltz 1979); welfare and security through norm-setting international institutions in *Liberalism* (Keohane and Nye 1987, Deudney and Ikenberry 1999); or security through mutually negotiated norms in the assumed state of anarchy in *Constructivism* (Wendt 1999). Instead, Shih proposes the new IR theory of *Balance of Relationships*, which explains how states as socially interrelated actors engage in self-restraint in order to build and maintain a network of stable and long-term relationships; and which bypasses rule-based governance by focusing on the process of establishing and maintaining mutual obligations between state actors (Shih and et al. 2019, 2).⁴⁷ The coexistence of relationality and power is something the contemporary IRT has yet to solve (Ibid., 2). To paraphrase Shih in my own words, China derives long term security not (only or primarily) from (military or economic) power or commonly agreed norms – as both have been historically always subject to change – but from stable relationships. Relationships are the social resource that increases resilience and reduces vulnerability in times of crises.

Qin Yaqing 秦亚青 (2018), who pioneered the study of constructivism in China, argues that the mainstream IR theories share a common theoretical hardcore, “ontological individualism”: they perceive the social world as composed of individual actors, whose actions are guided by individualistic rationality, which he traces back to the scientific traditions of the localities in which they emerged (ibid., 75). On the other hand, Chinese (or Confucian) communities tend to see the world not as composed of actors but as composed of complex dynamic relations (ibid., 107 ff.). While the mainstream IR has paid great attention to the agential or structural power (of individual actors), it has largely overlooked what Qin terms *relational power* (ibid., 242). More specifically, it refers to the power of “human relations” (ibid., 258), which is central to how China conducts foreign policy (think only of summit diplomacy such as the FOCAC summits or the various Belt and Road fora). To conceptualise relational power, Qin developed a *Relational Theory of World Politics* (*Shijie zhengzhi guanxi lilun* 世界政治关系理论) (which is grounded in both, Qin’s studies of social constructivism and Confucianism), which rests on three interrelated arguments: (i) *the principle of coexistence*, which sees coexistence or relational existence of social actors as the basic form of life in the social world; (ii) the argument of *relational identity formation*, which holds that identities of

⁴⁷ Shih highlights that he does not want to say that Chinese strategic calculus cannot also be realist, hereby referring to Alastair Iain Johnston’s (1998) argument on strategic culture in the *Wu jing qi shu* 武经七书 (*Seven Military Classics*); it is just not the preferable solution in China’s quest for security (Shih and et al. 2019, 26).

an actor are formed and reformed through relations with others; and (iii) the assumption of *shared interest*, which assumes that interest is always shared (meaning that shared interests always exist, they just need to be found) and that exclusive self-interest is hard or even impossible to define (ibid., 300).⁴⁸

Returning to the visible relationality in Chinese foreign aid policy, I believe that Qin Yaqing's concept of *relational power* described above is the best way to understand the emerging Chinese foreign aid approach during the Mao era. I would further argue that understanding its formative context can substantially contribute to a better understanding of the thought patterns that guide Chinese foreign aid policy today. Therefore, I propose to conceptualise Chinese aid as Relational Foreign Aid and will use this concept for my analysis of the evolving Chinese aid approach in the 1950s and beyond.

1.3.1 Grant aid to North Korea and moral superiority over the Soviet Union

China's first aid programs provided military and economic assistance to the Communist forces in North Korea and North Vietnam.⁴⁹ According to figures provided by Shi Lin 石林 (1989, 24), between 1950 and 1953, China gave to North Korea 3710 fighter jets (by 1952), war supplies and civilian goods in the amount of 729 million RMB (362,5 million US-Dollar) and a non-quantified amount of grain aid. Chinese assistance was initially given a part in grants and part in loans, meaning that North Korea was supposed to repay it (McCann and Strauss 2015, 172). Yet, after the end of the war, China decided to forgive the loans and announced in November 1953 that

[A]ll materials and expenses of the PRC government to aid North Korea are given to the North Korean government free of charge.

⁴⁸ For Qin Yaqing's other related work see Qin (2010, 2012, 2014)

⁴⁹ After the North Korean troupes invaded the South and captured Seoul in June 1950, the UN Security Council passed a resolution to provide military support to South Korea. The Soviet Union was absent during the vote on the resolution, as it boycotted the Security Council out of protest against the China seat being occupied by the Guomindang. On the grounds of the UN resolution, in September, the US troupes led by General Douglas MacArthur recaptured Seoul, stopped the North Korean advance, and were determined to march north towards the Yalu River and the Chinese border. Mao reportedly feared not only the expanding US presence in North-East Asia but also that the Korean war could lead to the remilitarisation of Japan (Shi Lin 石林 1989, 24). On 19 October, the Chinese troops crossed the Yalu River and entered Korea, shortly after China officially proclaimed its entrance into the Korean War. For research on China's engagement in the Korean War, see, for example, Hinton (1970), Chen (1992) and Riedel (2017).

中华人民共和国政府援助朝鲜的一切物资和用费, 均无偿地赠送给朝鲜民主主义人民共和国政府.⁵⁰

(Renmin ribao 人民日报 (RMRB) 1953, 1)

While aid giving itself can be understood in the relational context, that Chinese declared its assistance to North Korea to be “gratuitous” (无偿的) is striking, given the fact that China financed it through Soviet concessional loans it itself had to repay. In February 1950, China and the Soviet Union signed the “Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance” (*Zhong Su youhao tongmeng huzhu tiaoyue* 中苏友好同盟互助条约) and a comprehensive aid agreement.⁵¹ The Soviet Union agreed to provide China with concessional loans in the amount equivalent to 300 million US-Dollar with an annual interest rate of 1 per cent, to be disbursed over the next five years (Shi Lin 石林 1989, 317–18). Ten more similar loan agreements were signed between 1951 and 1955; one was interest-free, the other nine had an interest rate of 2 per cent. The loans were supposed to be repaid within ten years of 1953 and were tied to the purchase of war materials, daily necessities and equipment from the Soviet Union. According to the Chinese historian Shen Zhihua 沈志华 (2003, 398), 48 per cent of all Soviet loans between 1950-1953 were used for the Korean war. Even more, Stalin, who had agreed to provide material support for China’s intervention in the Korean War, supposedly only later informed China that the Soviet military aid to be repaid (Barnouin and Yu 2006, 146–47).⁵² As the war was turning out to be more costly for China than expected, in 1952, Zhou Enlai – according to Soviet sources – tried to propose to Stalin a strategy to end the Korean War (Stanley 2009, 73).⁵³ Stalin, however, made clear, that the Soviet Union would

⁵⁰ The decision to forgive the Democratic People’s Republic of North Korea (DPRK) its debt was taken during Kim Il-sung’s visit to China in November 1953, where both countries signed the PRC-DPRK Economic and Cultural Co-operation Agreement (中朝经济及文化合作协定).

⁵¹ The agreement was signed during Mao and Zhou Enlai’s trip to Moscow (16 December 1949 to 17 February 1950), which was the first time Mao travelled abroad and the first time he met Stalin. The reason why the trip happened so shortly after the founding of the PRC is that Mao feared Japan and the US could invade China, which he hoped to prevent through an alliance with the Soviet Union (see Zhang 2001, 61).

⁵² When the Chinese leadership debated China’s entrance into the Korean War, it approached Stalin asking for military and other assistance. Stalin agreed, but only after the Chinese leadership already committed to get involved in North Korea, did he make clear that he expected repayment of all assistance rendered to China. Thus, Stalin used China as a proxy to counterbalance the US in Korea – and let China bear the costs. For a detailed analysis of the Sino-Soviet interactions on the Korean War and the reasons for China’s intervention, see Barnouin and Yu (2006, 139-151).

⁵³ Zhou Enlai travelled to Moscow from August to September 1952, where he met with Stalin twice.

provide further economic assistance only under the condition that China continued its participation in the war (Ibid.).⁵⁴

This incident is not mentioned in Chinese sources. Critically read against Zhou's December 1949 declaration that "help from our friends [should be] based on equality and mutual assistance", the "friendly" (友) Soviet Union clearly did not treat China as "equal" (平等), and that its aid came with costly strings attached. However, the only indications of a (very subtle) critique I could find were the statement that half of the Soviet aid was re-channelled to North Korea quoted above, and a passage in Shi Lin 石林 (1989, 318), according to which less than one-quarter of the Soviet loans between 1950 and 1955 were used for China's economic needs.⁵⁵ To add another piece to the picture: China debt forgiveness contrasted with the Soviet practice as Moscow did not offer North Korea to forgive the concessional loans fully it extended during the war (McCann and Strauss 2015, 172).⁵⁶ China not only offered to cancel all debts but also agreed to grant North Korea 800 million RMB (400 million US dollars) between 1954 and 1957 for post-war reconstruction and to provide nearly half a million soldiers as free labour to help rebuild or build bridges, dams, roads, railways, factories and housing, as well as planting rice paddies, providing medical services and supplying food (Shen Zhihua 沈志华 and Dong Jie 董洁 2011).⁵⁷ As for Vietnam, the amount was smaller but still significant: between 1950 and 1954, China (in addition to military aid) provided material assistance worth 160 million RMB – and it also was grant aid (Qian Yaping 钱亚平 2011, 27).

Cold War historians have explained China's "generosity" in aid and trade relations in the early 1950s with a search for status (for a recent discussion, see Brazinsky 2017, 72–73). But that alone does not explain the divergence between the Chinese and the Soviet approach at this

⁵⁴ It was only Stalin's death on 5 March 1953, that created a window of opportunity to end the war (Central Intelligence Agency 2016).

⁵⁵ Shi Lin writes that in total, only 23.9 per cent of the Soviet loans between 1950 and 1955 were used for the purchase of economic construction equipment and materials, while the rest went into the purchase of military equipment and payments for the transfer of Soviet military troupes and the establishment of Soviet military bases.

⁵⁶ Like Soviet aid to China, Soviet aid to North Korea was also provided in concessional loans. Before he visited Beijing, Kim Il-sung had travelled to Moscow, where Stalin's successors promised to consider forgiving one part of the previously advanced loans (Kim 1967, 93–94).

⁵⁷ Brazinsky (2017, 73) cites a 1952 case, when "Zhou instructed the Ministry of Commerce to offer to sell rice to Ceylon at the market price while purchasing rubber above the market price. He explained that the reasons for this were to "smash the imperialist blockade and embargo and help the government of Ceylon solve its urgent difficulty with rice".

point, long before the Sino-Soviet split – that China would give grant aid when the Soviet Union provided loans, given that both were in the same Socialist camp. Unless, of course, China wanted to distinguish itself from the Soviet Union in terms of aid already at this point – as suggested by the Peking University international relations scholar Yin Qingfei 殷晴飞 in her 2011 article “1949-1965 nian Zhongguo duiwai rendao zhuyi yuanzhu fensi” 1949-1965 年中国对外人道主义援助分析 (The Analysis of Foreign Humanitarian Assistance from 1949 to 1965) (Yin Qingfei 殷晴飞 2011). Based on an analysis of declassified archives of the Ministry of Foreign Affairs, Yin argues that in the 1950s, the PRC used humanitarian aid (人道主义援助) to express its “moral superiority” (道义优势) over the Soviet Union. She finds that more than 40 per cent of decisions related to natural disaster relief aid contained references to the Soviet Union. In the 1950s, “when the Sino-Soviet relations were relatively friendly” (在中苏关系比较友好的 20 世纪 50 年代), China would often adjust its original donation plans so that they were about the same or slightly higher amount than the Soviet Union’s to show its “moral superiority”. Yin quotes the case of floods in India in 1953 when the Chinese government decided to donate 1.05 billion RMB, but upon learning that the Soviet Union would donate an equivalent of 1.7 billion RMB increased its donation to 1.5 billion. (Though the amount was lower than that of the Soviet Union, given the difference in economic power at that time, I would agree that the “moral superiority” argument still stands.) An important aspect, Yin also mentions based on her analysis, is that “the final decision-making power over the form and amount of aid was generally subject to the instructions of Zhou Enlai” (中央拥有对援助形式和数额的最终决定权, 一般要经过周恩来的批示).

In light of the evidence quoted above, it is plausible that the decision to forgive debt to Korea was also motivated by the wish to express “moral superiority”. Before he visited Beijing, Kim Il-sung had travelled to Moscow, where Stalin’s successors promised to consider forgiving one part of the previously advanced loans (Kim 1967, 93–94). China not only forgave all the debt but also offered new grant aid. The fact that China wanted to appear “morally superior” suggest that Stalin’s aid to China and his treatment of China during the Korean War may have contradicted the criteria Zhou (1949) had defined for “real aid” (真正的帮助) from “friends” (友邦).

1.3.2 Peaceful Coexistence, Aid and So-Called “Aid”

The end of the Korean war in 1953 allowed the Chinese leadership to shift its top political priorities. The domestic agenda was now dominated by economic construction and the preparations for the first Five-Year-Plan. Externally, China was still coping with international political and economic isolation. Dwight D. Eisenhower, who succeeded Truman as U.S. President in 1953, continued his containment and economic embargo policy towards China. In this situation, the biggest fear for Mao and Zhou was another war that could force China to (again) use the resources it needed for its economic development for war spending.⁵⁸ Zhou Enlai argued that to break through the international isolation and to reduce the risk of getting dragged into war, China needed to advocate for “peaceful coexistence” (*heping gongchu* 和平共处). Speaking to senior Chinese diplomats in June 1953, Zhou (1953a) expressed that China would counter the U.S. threat of war against Communist countries by standing for “peaceful coexistence and peaceful competition among countries with different systems” (制度不同的国家间...和平共处和和平竞赛). If China would dare to pursue such a policy, argued Zhou, there was a possibility that other countries in Asia, Middle East and North Africa would not follow the U.S.’s call to engage in wars (*ibid.*). As a policy, the “Five Principles of Peaceful Coexistence” were first spelt out by Zhou at a meeting with an Indian delegation in Beijing on New Year’s Eve of 1953 (Zhou Enlai 周恩来 1953b):

we have established basic principles for Sino-Indian relations: these are mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.

新中国成立后就确立了处理中印两国关系的原则，那就是互相尊重领土主权、互不侵犯、互不干涉内政、平等互惠和和平共处的原则。

⁵⁸ In order to overcome poverty, China would need several years without war (我们国家现在很穷，如果能得到几十年和平就好了), Mao told to a delegation of the UK Labour Party, that visited Beijing in August 1954 (Mao Zedong 毛泽东 1954b). Mao would express this fear similarly to India’s Prime Minister Jawaharlal Nehru in October 1954: “We are now carrying out the Five-Year Plan... If war broke out, our entire economic and cultural plan would be upset. We have put all our funds into reconstruction. If war broke out, we would have to stop our economic and cultural plans, and a war plan would have to be drawn up to cope with the war. That would delay the process of China’s industrialization.” (我们现在执行五年计划...如果发生战争，我们的全盘计划就会打乱。我们的钱多放在建设方面了。如果发生战争，我们的经济和文化计划都要停止，而不得不搞一个战争计划来对付战争。这就会使中国的工业化过程延迟。)(Mao Zedong 毛泽东 1954a).

In April 1954, they were formally coded in a bilateral Sino-Indian agreement.⁵⁹ Subsequently, in June 1954, during Zhou's visit to Delhi, he and Nehru issued a Joint Statement on 28 June that outlined the Five Principles/*Panchsheel* not only as the basis for China-India relations, but as the framework for their relations with all countries (Yu Hongjun 于洪君 2017). To counter the fears of Asian countries and American projections, Zhou Enlai explicitly stated at the press conference a day earlier that "revolution cannot be exported" (革命是不能输出的) (ibid.). In parallel, as Shu Guang Zhang argues based on the analysis of transcripts of Mao's and Zhou's interactions with foreign delegations, China began to actively project a benevolent image of a "backward" (落后) country, that was focused on "self-reliance" (自力更生) and shared with others the common experience of "imperial" (帝国主义) and "colonial" (殖民主义) oppression (Zhang 2007, 513). This image, together with the "Five Principles of Peaceful Co-existence", would serve as the frame for China's first aid offers to non-Communist countries in Bandung. I would like to highlight here, that this trope is still regularly invoked in the Chinese official and academic discourse, and in China's interactions with developing countries. To take Xi Jinping's speech at the UN Roundtable on South-South Co-operation as an example (which I referred to in the previous section to illustrate the traces of Sun Yat-sen's Minsheng philosophy in China's foreign aid policy today) as an example: Xi opened his speech by remembering China's and other developing countries' joint "fight against imperialism and colonialism" (反帝反殖斗争) and the common aim in achieving "self-strengthening" (自强). (Xi Jinping 习近平 2015a).

Given the Sino-Indian war that occurred in 1962, it may be easily overlooked that Nehru actually played a substantial role in getting China to Bandung. From the start, Nehru did not believe in isolating China. In 1950, he tried to convince the U.S. government to let China try and pressure North Korea to accept a ceasefire and restoration to the status quo – in exchange for the U.S. allowing the PRC to take control of China's seat in the UN (Nehru 1954).⁶⁰ "The

⁵⁹ The "Agreement on Trade and Intercourse between the Tibet region of China and India" (中华人民共和国和印度共和国关于中国西藏地方和印度之间的通商和交通协定) was signed on 29 April 1954 in Beijing by Indian Ambassador N. Raghavan and the deputy foreign minister of China Zhang Hanfu. In India, the "Five Principles" became known as *Panchsheel* (composed of Sanskrit words *panch*: five and *sheel*: virtue). The Agreement, however, did not prevent Mao from starting a war with India in 1962.

⁶⁰ Nehru had travelled to Beijing for secret talks in July 1950, after India had become the third Asian country (after Mongolia and Vietnam) to recognize the PRC.

idea of not allowing them to function in the United Nations,” he wrote after a visit to China in 1954, “appeared fantastic” (ibid.).⁶¹ When in December 1954, the “Colombo Powers”⁶² (Burma, Ceylon, India, Indonesia and Pakistan) agreed upon hosting an Afro-Asian Conference in the Indonesian Bandung to discuss on “social, economic and cultural problems and relations” of African and Asian countries, it was Nehru who sponsored China’s participation – despite the fact that the Western countries wanted to exclude China (Appadurai 1955, 3; Nehru 2000, 27:105).⁶³

The Politburo considered the Bandung Conference a major chance to break through the international isolation. The conference would be attended by thirty countries, who together represented one-fourth of the earth’s surface and 1.5 billion people. Twenty-three of them had not established diplomatic relations with China. China’s participation in Bandung, as detailed in the document “The Scheme for the Participation in the Asia-Africa Conference” (*Canjia Ya Fei huiyi de gang’an* 参加亚非会议的方案), prepared under Zhou Enlai’s lead by the Ministry of Foreign Affairs for a Politburo meeting on April 4-5, 1955, should focus on “creating the conditions for the establishment and strengthening of China’s diplomatic relations with a number of Asian and African countries” (为建立和加强我国同若干亚非国家的事务和外交关系创造条件) (CMFA 2007, 41–42). The Scheme outlined the detailed positions the Chinese delegation led by Zhou Enlai would take during the conference. China would advocate for peaceful coexistence and friendly co-operation, it would support national independence movements; it would not advocate for its political system but report on the reforms and

⁶¹ The full related passage reads: “I could not help feeling during my visit to China, even more than I have done before, how completely irrelevant was the idea that this great nation could be ignored or bypassed. The idea of not allowing them to function in the United Nations appeared fantastic. The time has passed when they can be injured much by this policy. It is the rest of the world that is more likely to suffer from it.”

⁶² Initially called the “Colombo Plan for Cooperative Economic Development in South and Southeast Asia”, the Colombo Plan was launched on 1 July 1951 by seven Commonwealth nations – Australia, UK, Canada, Ceylon, India, New Zealand, and Pakistan – to promote the economic and social development in South and Southeast Asia. It was subsequently expanded to include more countries (The Colombo Plan n.d.).

⁶³ The British Foreign Minister and later Prime Minister Anthony Eden personally conveyed to Nehru that an invitation of China would “create a bad impression” in Britain and the United States. To that, Nehru responded in writing to UN General Secretary: “We have no desire to create a bad impression about anything in the US and the UK. But the world is somewhat larger than the US and the UK, and we have to take into account what impressions we create in the rest of the world. [...] For us to be told, therefore, that the US and the UK will not like the inclusion of China in the Afro-Asian Conference is not very helpful. In fact, it is somewhat irritating. There are many things that the US and the UK have done which we do not like at all.” (Nehru 2000, 27:105)

achievements made so far, and it would invite other countries for “friendship visits” (友好访问) to China to probe the possibilities for further co-operation.

On aid, specifically, the Scheme stated:

We will advocate for conducting trade and developing technical and economic co-operation based on equality and mutual benefit in order to promote and consolidate the peaceful and independent economic development of all concerned countries. We will oppose embargos, and we will oppose “aid” with political strings attached.

我们主张在平等互利的基础上开展贸易，发展技术和经济合作，以促进和巩固有关各国的和平和独立的经济发展。反对禁运，反对带有政治条件的“援助”

Zhou strictly condemned the political conditionality in the U.S. and other Western countries aid, denoting conditional aid as “*aid*” in quotation marks (“援助”), or “so-called aid”, and by that implying that it was, in fact, the opposite of aid. It is important to highlight that Zhou’s critique was shared by a number of newly independent states, who similarly criticized political conditionality, particularly in U.S. aid policy. The U.S., whose “Point Four Program” had been originally focused on poverty reduction, had shifted the focus of its foreign assistance after the start of the Korean War (Sharp 1953, 346). The *Mutual Security Act* of 1951 highlighted political and military objectives over economic and humanitarian needs and stipulated that economic and technical assistance would be provided on the condition that recipients agreed to actions to “eliminate causes of international tensions”, which practically meant using the “aid” for the military build-up and military assistance (Sharp 1953, 347). Development assistance loans were often used to acquire strategic and defence materials from developing countries, with questionable benefits for recipient countries (Paterson 1972, 347). Because of that, in 1955, the “Colombo Powers” in the United Nations General Assembly, for example, explicitly condemned conditional aid in general, and the U.S. in particular for making aid conditional on resistance to Communism and for using economic aid to coerce countries into military alliances (Dudrin 1955). To them, conditional aid represented a continuation of colonial relationship patterns, as it was exploitative and did not contribute to the development of local industries (ibid.). Taking up these concerns, in Bandung, Zhou would propose an alternative aid approach, one of (horizontal) mutually beneficial economic co-operation *among* developing countries.

1.3.3 Relational Diplomacy

Shi Lin 石林 (1989, 31) describes Bandung as a turning point, after which “China’s foreign relations experienced a new development, and foreign economic and technical aid was extended from socialist countries to nationalist [newly independent] countries in Asia and Africa” (中国对外关系有了新发展, 对外经济技术援助从社会主义国家扩展到亚非民族主义国家). How did it happen? To begin with, Zhou Enlai did not deliver the speech he had originally prepared for the conference. In a written report to Mao, he indicated that he withdrew in order not to provoke those among the delegates who had been against China's participation from the outset. (CMFA 2007, 92). The originally prepared speech was circulated in a typed version and reflected the Scheme for Participation I discussed in the previous section. The passage related to foreign aid/co-operation between developing countries reads as:

We Asian and African countries need to cooperate in the economic and cultural fields in order to facilitate the elimination of the economic and cultural backwardness caused by the long period of colonial exploitation and oppression. This co-operation should be based on equality and mutual benefit, with no conditions for privilege attached. The trade relations and economic co-operation between us should have for its purpose the promotion of the independent economic development in each country, and not to convert any country into a sole producer of raw materials and a market for consumer goods.

我们亚非国家需要在经济上和文化上合作, 以便有助于消除我们在殖民主义的长期掠夺和压迫下所造成的经济上和文化上的落后状态。我们亚非国家之间的合作应该以平等互利为基础, 而不应该附有任何特权条件。我们相互之间的贸易来往和经济合作应该以促进各国独立经济发展为目的, 而不应该使任何一方单纯地成为原料产地和消费品的销售市场。

(*Zai yaifei huiyi quanti huiyi shang de fayan* 在亚非会议全体会议上的发言 (Speech at the Plenary Session of the Asian-African Conference), in: Zhou Enlai 周恩来 1955a)⁶⁴

Instead, in the afternoon of the second day, after most of the other delegates had spoken, he delivered a “supplementary speech”, which was allegedly not coordinated with Mao (Keith 1989, 82–83). As described by the American journalist and political scientist A. Doak Barnett (1921-1999) who covered the conference, in “carefully chosen words, Chou outlined Communist China’s posture of reasonableness and peacefulness” (Barnett 1955, 6). Zhou maintained that while the Chinese government believed Communism to be positive for China,

⁶⁴ Translation in: Zhou Enlai 1955b.

the Chinese delegation did not come to the Bandung to propagate it; it came to “seek common ground while reserving differences” (*qitong er cunyi* 求同而存异):

[A]mong our Asian and African countries, we do have different ideologies and different social systems. But this does not prevent us from seeking common ground and being united. [...] Is there any reason why we cannot understand and respect each other and give support and sympathy to each other? There is every reason to make the five principles [of peaceful coexistence] the basis for establishing friendly co-operation and good neighbourly relations among us. We Asian and African countries, China included, are all backward economically and culturally. Inasmuch as our Asian-African Conference does not exclude anybody, why couldn't we ourselves understand each other and enter into friendly co-operation?

在亚非国家中是存在有不同的思想意识和社会制度的，但这并不妨碍我们求同和团结。...我们有什么理由不可以互相了解和尊重、互相同情和支持呢？五项原则完全可以成为在我们中间建立友好合作和亲善睦邻关系的基础。我们亚非国家，中国也在内，不论在经济上或文化上都很落后。我们亚非会议既然不要排斥任何人，为什么我们自己反倒不能互相了解、不能友好合作呢？

(Zai yaifei huiyi quanti huiyi shang de buchong fayan 周恩来总理在亚非会议全体会议上的补充发言 (Supplementary Speech of Premier Zhou Enlai at the Plenary Session of the Asian African-Conference), in: Zhou Enlai 周恩来 1955c)

Zhou proposed making the “Five Principles of Peaceful Coexistence” the general basis of interaction, which he explained with the assumption that the states’ common economic and cultural backwardness was a bigger unifying factor than their different ideologies were a dividing one. Moreover, he motioned for a “co-operation” that – in contrast to the “aid” with strings attached practised elsewhere – would be “non-exclusive” (不要排斥) as a way to deal with the common challenge of underdevelopment. Zhou’s aid narrative constructed China as a post-colonial country suffering economic and cultural “backwardness” (落后), which it shared with other newly independent countries who had also suffered “imperial” (帝国主义) and “colonial” (殖民主义) oppression.⁶⁵ The way out was not what Zhou termed “*so-called aid*”, whose primary aim was not the promotion of economic development in recipient countries but the promotion of the donor’s own economic and strategic interests, but “mutually beneficial” (互利) economic co-operation *among* the developing countries as “equals” (平等).

⁶⁵ This “image” was first spelled out to an international audience by Mao on August 24, 1954, during a visit by a delegation of the British Labour party to China (Mao Zedong 毛泽东 1954a, 160).

In a written report he sent to Mao on April 30 (CMFA 2007, 90–93), Zhou first described the discussions that had taken place in the Economic Committee and the proposals brought forth by the Chinese delegation. He wrote that the vast majority of representatives endorsed intra-regional economic co-operation with the exchange of technical experts, sharing of technical knowledge, training of specialists, and setting up of industrial equipment for demonstration. However, he noted that generally, there was not much confidence in self-reliance and intra-regional co-operation. The representatives did not believe that they could solve the problem of funds and lack of technology independently and stressed the need to rely on Western developed countries for funds and technology. In light of the above, he wrote, the Chinese side stressed the benefits of engaging in intra-regional technical co-operation, but did not argue against international assistance – though it firmly rejected political conditionality:

[We] stated that [we see] the intra-regional economic co-operation as very promising. The technologies and experiences developed by people of Asia and Africa are mostly suited to the actual conditions of Asian and African countries, and are therefore worth exchanging[.] [We] have put forward that economic construction should be based on self-reliance combined with international assistance, but we must oppose any aid that comes with conditions that are politically or economically disadvantageous for recipient countries.

说明区内经济合作是有前途的，一些由亚非人民自己创造的技术和经验往往适合亚非国家实际情况，是值得交流的[。] 提出经济建设应自力更生为主结合国际间援助，但必须反对任何附有政治或经济上不利于受援国的条件援助[。]

In parallel, the Chinese side itself offered to provide assistance:

We have offered to provide certain industrial equipment and experts, to exchange technology and train specialists within our capabilities. This has received a lot of attention.

我们提出了愿在能力所及提供某些工业设备、专家、交流技术和训练专家，引起很多代表注意。

Given that the specific option to offer assistance was not part of “The Scheme for Participation” in the Bandung document, it is conceivable that Zhou Enlai’s offer of assistance to Asian and African countries arose in response to the conference dynamics. Furthermore, Zhou spelt out what later became known as South-South Co-operation: that technologies and development practices of developing countries (in Asia and Africa) are best suited for actual conditions in developing countries – and are therefore worth exchanging. But above and beyond, Zhou’s report is a testament to an extremely pragmatic stance, which contradicts the assumptions that Chinese aid under Mao was dominated by ideology (as argued in John F. Copper 2016a). He expressed that it was better for China to refrain from exercising pressure on other countries to give up their reliance on Western aid – even if he himself did not see it as aid, but as *so-called* “aid” (“援助”), beneficial only for the donor but not for the recipient. Due

to their colonial past, their systems were too interwoven with Western countries, and they did not have enough confidence in succeeding without them. Requiring them to give it up at once would have endangered the overall goal of the delegation, namely to “create the conditions for the establishment and strengthening of China’s diplomatic relations with a number of Asian and African countries” (为建立和加强我国同若干亚非国家的事务和外交关系创造条件) (CMFA 2007, 41 - 42).

The British Counsellor in Jakarta, R.W. Parkes, reported to the British government that Zhou Enlai “scored an outstanding success by his personality as much as by his consistent moderation and flexibility.” His aim, Parkes thought, was to leave “an impression of himself not as an iron man of destiny, [...] but of someone who was open to argument, not unkindly disposed to his Asiatic and African brothers, and above all reasonable and with whom one could do business.” Parkes concluded that “we in the West are in effect competing [...] for 27 shy and wary adolescent Eastern nations, each with a varying legacy of occupation and psychological humiliation” Doak Barnett (1955) wrote in his report with a similar impression:

Specifically, what did Chou En-lai achieve at Bandung? He did not win any convert to Communism. He did not mobilize support for Communist propaganda slogans at the conference. He did not himself make, or encourage others to make, violent anti-U.S. or anti-Western statements. He did not undermine or weaken any of the existing support for SEATO, NATO, or other Western-oriented defensive alliances against Communism.

What did he achieve? He convinced many of the delegates that he is a reasonable and sincere man of good will. He attempted, with considerable success, to convince them also that Communist China is pursuing a peaceful policy. And these were obviously his major aims.

Which they were. As Zhou wrote to Mao, China’s aim in co-operation with developing countries was to increase co-operation and create a stable international environment. And not, as had been frequently assumed by contemporaries and later: to export communism and world revolution. Barnett further elaborated on the role of Zhou’s personality for China’s success in Bandung:

Although foreign policies are not longer, as a rule, based primarily on personal relations between national leaders, it would be a mistake to underestimate the impact at Bandung of a personality such as Chou En-lai’s. [...] Chou’s personal influence on the delegates attending the conference may have subtle long-range effects which cannot now be accurately foreseen or predicted.

Indeed, it was for sure Zhou’s personality paired with his firm determination to generate trust in order to create a fertile soil for co-operation that would allow China to overcome its economic and political isolations.

1.4 Chinese aid after Bandung: Strategic tool serving economic and diplomatic motives

After Bandung, foreign aid became part of China's "mutually beneficial" economic co-operation, catering to the recipients' economic needs while facilitating China's diplomatic recognition. The process that in the end would secure the PRC the China seat in the UN began with "side talks" (会外活动) at the Bandung Conference. These are documented in "Zhou Enlai's report to the CCPCC and to Chairman Mao on the question of economic co-operation" (*Zhou Enlai guanyu jingji hezuo wenti zhi Zhonggong zhongyang bing Mao zhuxi de baogao* 周恩来关于经济合作问题致中共中央并毛主席的报告) submitted by him after the conference (CMFA 2007, 90-93):

[D]uring the conference, we actively engaged in side talks, and it was mainly Egypt and Syria who caught the hook. Egypt agreed to send a trade delegation to us in May and welcomes us to send a delegation to Egypt. It has [also] agreed to enter into intergovernmental trade agreements and payment agreements and consider establishing mutual trade institutions in the future. Syria has invited us to send a trade representative to the Damascus exhibition in August.

[...] 会议期内我们积极的展开了会外活动，主要是埃及、叙利亚过上了钩。埃及同意五六月间派贸易代表团来我国并欢迎我们派代表团去埃及，同意订立政府间的贸易协定和支付协定并考虑将来互设贸易机构。叙利亚邀请我们在八月参加大马士革展览会时加派贸易代表去。

The purpose of the "side talk" was to engage other countries on the issue of mutual trade and to prepare the ground for future trade agreements by either getting the other side's commitment to send a trade delegation or receiving an invitation to send a trade delegation. Similar agreements were reached with other countries, too, which can be seen in the following translated passage:

Indonesia has agreed to send a trade delegation in June or July to negotiate a new trade agreement. We also had a long talk with the Indonesian Ministry of Economy and the general economic association (private industry and business groups) about the possibility of developing trade between the two countries. Ceylon expressed its willingness to continue with the five-year Rice for Rubber Agreement and is preparing to send a delegation in September to negotiate the 1956 Rice for Rubber contract. [...] Pakistan [...] has welcomed us to send a trade delegation [...] and has expressed interest in China's textile industrial equipment and construction equipment. Myanmar has offered to buy more Chinese goods to cover the costs of textile machinery and hopes that we can restart the 1955 rice negotiations.

印尼同意在六、七月派贸易代表团来商谈新的贸易协定并同印尼经济部及经济总会（私营工商业团体）充分交谈了发展两国贸易的可能性；锡兰表示愿与继续执行五年米胶协定，准备在九月派代表团来商谈一九五六年的米胶合同，[...] 巴基斯坦 [...] 欢迎我们派贸易代表团去访问 [...] 并表示对中国的纺织工业设备机建筑器材有兴趣；缅甸表示愿意多买中国货物蒙顶购买纺织机器，同时希望我们能开始一九五五年大米换活的谈判。

Zhou's report highlights that it was "the contacts outside the [official] conference meetings have helped to promote mutual understanding, and have set the tone for future relations" (通过会外的接触，帮助了相互间了解，礼仪了今后的关系). Trade served as a door-opener for broader intergovernmental negotiations. During trade negotiations, China would also offer to provide technical and economic assistance where what China had to offer matched the recipients' needs. Hereby, aid either led to diplomatic recognition – or diplomatic recognition would be rewarded with aid. After Bandung, Egypt became the first African country to establish diplomatic relations with China on 30 May 1956. In November, China extended to Egypt a grant in the amount of 4 million US-Dollar. More than ten countries followed with the next five years. As Figure 2 shows, there was almost in all cases a temporal correlation between diplomatic recognition and aid projects.

Figure 2 Year of diplomatic recognition and first foreign aid project

Country	Year of diplomatic recognition	Year of first aid project
Algeria	1958	1958
Cambodia	1956	1956
Ceylon (now Sri Lanka)	1957	1957
Egypt	1956	1956
Ghana	1960	1961
Guinea	1959	1959/1960
Laos	1961	1962
Mali	1960	1961
Nepal	1955	1956
North Yemen	1956	1958
Somalia	1960	1963
Syria	1956	1963

Source: Own figure with year of first project data from Lin (1993) and year of diplomatic recognition from Wikipedia.

What this means is that the integration of aid with trade (and later, beginning with "Reform and Opening" also investment) – which also constitutes the core of China's aid approach today and for which China has received much critique from DAC donors – is not a recent phenomenon, but dates back to the late 1950s.

Zhou outlined the new principles of Chinese foreign aid in a speech given at the third session of the First National People's Congress on 28 June 1956:

[R]egardless whether we carry out economic co-operation through trade as we do with many countries in Asia and Africa, or if we carry out economic co-operation through non-reimbursable aid, like in the case of Cambodia, the purpose is always to promote each other's economic development. [...]

China is a country that just recently has been liberated. Our economy is still very backward; we still haven't achieved full economic independence. Therefore, our economic strength is limited, and our main channel to conduct economic co-operation with other countries is trade. But we have understood that economic independence is of great significance for consolidating political independence. Therefore, while we advance the building up of our own economy, we wish, within the bounds of our possibilities, to contribute our meagre forces to help other countries' economic development.

无论是象我们同亚非许多国家那样，通过贸易的途径进行经济合作，或者是象我们同柬埔寨那样，通过无偿的援助进行经济合作，我们的目的都是为了促进彼此的经济合作。

中国是一个刚刚解放不久的国家。我们的经济还很落后，我们在经济上还没有完全独立。因此，我们的经济力量是有限的，我们主要地还是通过贸易的途径同其他国家进行经济合作。但是，由于我们认识到，经济上的独立对于巩固政治上的独立具有重要的意义，我们在自己进行经济建设的同时，也愿意在可能的范围内贡献我们的微薄力量，帮助其他国家的经济发展。

(Zhou Enlai 周恩来 1956)

The speech shows that Zhou saw grant *aid* as a form of *economic co-operation* (经济合作), in a similar way to trade. This was also reflected in the responsibility for aid within the institutional architecture of the Chinese government: the Ministry of Foreign Trade (*Duiwai maoyi bu* 对外贸易部)⁶⁶ was in charge of managing foreign aid projects and coordinating various subordinate import and export companies tasked with the implementation of material assistance projects (Zhou Hong 周弘 2013, 3). The purpose of *economic co-operation* through *aid* and trade was to promote “each other's economic development” (促进彼此的经济合作); the latter implies a belief on Zhou's side that if aid contributed to the recipient's economic development, it would also, in the long run, be of economic benefit for China. Through the construction of a common past of oppression, Zhou sought to create a common identity and a shared interest in pursuing development in a world dominated by the former oppressors. Giving aid became a means to secure long-term stable relations – even if they were economically

⁶⁶ Established in 1952 and led by Zhou's protégée Ye Jizhuang 叶季壮 (1893-1967) (*Jiefang ribao* 解放日报 2009).

costly for China in the short term – because they could help China to overcome economic and political isolation.

1.4.1 Challenging the ideology argument

Based on the above exploration, I want to challenge the argument made by other scholars that Chinese aid – when it was expanded to non-socialist Asian and African countries after Bandung – was primarily guided by ideology – just as much as Western aid was often guided by the promotion of capitalist systems and democracy. This has been brought forth, for example, by Pippa Morgan (2018), who finds that socialist or leftist countries in Africa received more aid in the 1956-1970 period than other countries and links that to the role of socialist ideology in Chinese aid giving. Gregg A. Brazinsky (2017, 4-5, 271) frames Chinese aid to developing countries in the early 1960s in terms of Sino-American rivalry and competitions over “status” (in the sense of gaining “prestige” and “legitimacy”). Ward Warmerdam and Arjan de Haan (2015) see Mao’s hardened leftist ideological stance during the GLF as a dominant factor in China’s foreign aid policy in the early 1960s and see Zhou Enlai’s stated purpose of foreign aid as “to promote self-reliance and independent economic development” reflective of “China’s domestic development ideology”. John F. Copper (1976; 2016a) described the latter as Maoist “propaganda”. Admittedly, a reading of the *Peking Review* (which is i.a. quoted by Copper 1976, 2016; Warmerdam and de Haan 2015; and Atkinson 2019), the 1958 founded foreign language journal under the CCP propaganda department, which for a long time presented the only window into official aid-related discourses (Atkinson 2019), would give a reader the impression that aid was mainly ideological. Moreover, as the *Peking Review* would decidedly project an image of unity within the leadership, those who analysed Chinese foreign aid policy through its articles would portray it as being shaped by Mao (Copper 1976, 2016, Atkinson 2019). However, a significant number of primary sources that are available in the meantime confirm that foreign aid policy was shaped by Zhou Enlai; and although Zhou to a large extent has remained an “enigma” (as, e.g. pointedly stated by Michael Dillon (2020) in the title of his book *Zhou Enlai: the Enigma Behind Chairman Mao*), the differences between Zhou and Mao on economic questions have been extensively documented in Chinese studies literature (e.g. Lieberthal (1987) and Lardy (1987) in Roderik MacFarquhar and John King Fairbank (ed.) *The Cambridge History of China*).

I argue that several sources point to an agenda that was largely dominated by economic motives. First, a close reading of Zhou's report to Mao, which I quoted above, suggests that

Zhou placed economic considerations above ideology in Bandung. He wrote that compared to China, the other countries' economies were still highly reliant on the West (对西方国家的依赖性很大) and that it would be problematic to ask to them to suddenly cut the ties (一是要求摆脱也有困难) (CMFA 2007, 92). Therefore, he explained to Mao why he did not do it:

If we had raised our voice too high in the meeting, it would have led to our isolation. It would have added to their doubts towards us. This would not be conducive for increasing co-operation and expanding peace areas. Our stance at the conference was mainly guided by the spirit of seeking common ground while reserving differences so that we all could reach an agreement on common points. [...]

如果我们在会议上调子提的太高反而会使我们孤立，增加他们的疑虑，对于增加合作扩大和平地区工作和进行是不利的。我们在会议上主要是根据求同存异的精神，把大家可以一致同意的共同点达成协议[。]

For Zhou, it was evidently more important to create fertile ground for trade negotiations than to push for the right ideology, namely cutting off “unequal” economic relations. What I wonder is whether Zhou's implicitly apologetic tone is indicative of his different stance on this question compared to Mao, given that the conciliatory stance of the Chinese delegation was not in line with the pre-agreed position that China “would oppose “aid” with political strings attached” (反对带有政治条件的“援助”) (CMFA 2007, 43). I see this assumption confirmed by Zhou's admission that the final communiqué “is not quite in line with our ideal” (没有完全符合我们的理想), but that it represents a “common ground” (大家共同点):

Although the joint communique [...] is not quite in line with our ideal, still, it confirms the points on which everybody could agree. These common points have laid the ideological foundation for promoting the economic independence of Asia and Africa, which will be helpful for our seeking to increase co-operation and expand peaceful areas. That is what we have achieved.

这次在会议联合公报中的[...]决议虽然没有完全符合我们的理想，但是肯定了大家共同点。这些共同点对于促进亚非地区经济独立打下了思想认识的基础，对于我们要求增加合作、扩大和平地区是有帮助的。这就是我们的收获。

That common ground, he writes, “has laid an ideological foundation for promoting the economic independence of Asia and Africa 打下了思想认识的基础” and will help China to increase (economic) co-operation and decrease the probability of war.

Second, in the economic crisis caused by “The Great Leap Forward” (GLF) and the Sino-Soviet split, Zhou pushed for the expansion of foreign aid to secure stable trade relations in the long run. To briefly illustrate the economic context: Mao's ideology-driven economic adventure, the GLF, launched in 1958, essentially nullified the economic upswing China had experienced during the first Five-Year-Plan (1953-1957) thanks to the inflow of Soviet

technology and expertise (see, e.g. Lardy 1987). With the economy already severely strained (not to mention the human toll), the abrupt withdrawal of 1200 Soviet specialist – ordered by Khrushchev in mid-July 1960 during the escalating Sino-Soviet split – exacerbated the economic crisis. At the time of withdrawal, only about half of the 300 Soviet aid projects were completed, about 20 per cent of the projects begun before the 1958 agreement were incomplete, and most of those agreed upon in 1958 and 1959 were still in the planning stages (Moore 1977, 114).⁶⁷ Economically, the GLF and Khrushchev's withdrawal of Soviet specialists meant that China's GNP dropped from 113 billion US-Dollar (172 US-Dollar per capita) in 1958 (the year when the GLF was initiated) to 82 billion US-Dollar (118 US-Dollar per capita) in 1961 (ibid.). The GLF was finally put to an end during the *Seven Thousand Cadres Conference* (*Qiqian ren dahui* 七千人大会) in January to February 1962, where the economic pragmatists within the party around Deng Xiaoping 邓小平 (1904-1997) and Chen Yun 陈云 (1905-1995), took charge, while Mao withdrew into the background (before initiating the Cultural Revolution in 1966).

Lin Haiyun 林海云 (1911-2007), who had served as China's acting Minister of Foreign Trade and in this capacity worked closely with Zhou Enlai, writes in his memoir that after the GLF, Zhou pushed for the expansion of trade with “western capitalist countries” and for making an effort to create a trade base with countries in Asia, Africa and Latin America in the long run. Lin, who reveals himself as an economic pragmatist critical of Mao's ideological adventure by denoting the post-GLF period in the coded terms “economically difficult times

⁶⁷ Mikhail Klochko (Klochko 1971, 559–60), who had been a Soviet specialist in Kunming and defected to Canada in 1961, remembers:

The recall of the Soviet experts was the more keenly felt because Chinese science and technology were in such desperate shape. Not that the experts were all top men in their fields. Overall, they appeared to be quite an average lot. Even so, most of them were badly needed. [...]

[C]onstruction stopped at the sites of scores of new plants and factories while the work at many existing ones was thrown into confusion. Spare parts were no longer available for plants built according to Russian design and mines and electric power stations developed with Russian help were closed down. Planning on new undertakings was abandoned because the Russians simultaneously cancelled contracts for the delivery of plans and equipment. [...] The value of Soviet exports to China declined from 859,300,000 roubles in 1959 to 210,100,000 roubles in 1962; that of machinery and equipment from 537,800,000 roubles in 1959 to 24,600,000 roubles in 1962.

Klochko notes that there was no allusion to the withdrawal of the Soviet specialists in any party documents. For more than two years after the event it was known only to the withdrawn specialists, the members of the Central Committee, and perhaps the hundred or so top party bureaucrats. The knowledge reached the public only when the Soviet leaders found it necessary to reply to the open criticisms by the Chinese which started early in 1963. In fact, Klochko argues that, the struggle for power between China and the SU “might not have come into the open until much later had it not been for Khrushchev's withdrawal of the specialists.” (Klochko 1971, 564).

for China's national economy" (国民经济最困难时期) caused by "natural disasters and human factors" (自然灾害和人为的因素), remembers that:

Premier Zhou [...] asked us [the Ministry of Foreign Trade] to aid countries in Asia, Africa and Latin America. He said, when we give them economic assistance, we do that not to make them dependent on us, but in order to promote their self-reliance. Only when those countries' economy is developed, can they develop foreign trade. The more developed their economy is, the greater foreign trade will be.

周总理 [...] 要求我们帮助亚非拉美国家。他说，我们在经济上对他们进行帮助，并不是使他们依赖我们，而是推动和促进他们自力更生。这些国家的经济发展了，才能发展对外贸易。经济越发展，他们的对外贸易越发展越大。

(Lin Haiyun 林海云 1987)

Lin describes the above as Zhou's idea of "internationalism" (*guoji zhuyi* 国际主义). To this end, the purpose of foreign aid was to build long-term economic relations and facilitate trade. And trade, according to Lin, was in Zhou's understanding needed for economic development and thus political independence – as can be derived from Lin's following memoir:

Premier Zhou always attached utmost importance to China's foreign trade work. [...] because effective foreign trade was not only urgently needed to promote China's domestic economic development and to support nation-building but also because it was an important means to develop China's foreign relations and to pursue an independent and peaceful foreign policy.

周总理对我国外贸工作一直非常关心、非常重视。[...] 是因为卓有成效地开展对外贸易，既是促进我国国民经济发展，支援国家建设的迫切需要，又是我国发展对外关系，奉行独立自主和平外交政策的一个重要手段。

(Ibid.)

Lin Haiyun's memoirs are clearly consistent with the Zhou quotes from the mid-1950s on economic independence being the prerequisite for political independence, which I have analysed earlier in this chapter. This is what Warmerdam and de Haan (2015), similarly to others, described as foreign aid being reflective of "China's domestic development ideology". To me, the Lin memoir is more a confirmation of the immediate primacy of economic motives, which should serve long-term political objectives (independence) – but not export of socialist ideology.

Lin Teh-chang (1993, 154) argues that Chinese foreign aid to Africa *was* ideological on the grounds of a perfect negative correlation between Chinese aid offers and countries being U.S. allies. He notes that between 1953 and 1963, "there were thirty-four countries who belonged to the United States' alliance and not one of them received aid from Peking during this period". Lin explain the correlation with Beijing's "strong opposition to United States foreign policy. This assumption is, however, contradicted by Shi Lin 石林 (1989, 48–49), based on his first-

hand knowledge as a former aid official – in 1964, he joined the CCPCC Foreign Economic Liaison Committee (*Zhonggong zhongyang duiwai jingji lianluo weiyuanhui* 中共中央对外经济联络委员会) as director of the Bureau for International Economic Affairs (*Guoji jingji shiwuju* 国际经济事务局). Shi writes of cases where U.S. allies declined Chinese aid when it was offered, or that already signed agreements were not implemented due to pressure from the U.S.:

In the early 1960s, the international anti-Chinese current was rampant. Under the deceitful influence of imperialism, many African countries lacked understanding of the new China. [Therefore] they were too anxious to establish and develop diplomatic relations and economic co-operation with China. Although some countries had signed economic assistance loan agreements with China, they were not put to use. Chinas economic and technical assistance to the aforementioned African countries has aroused fears of Imperialists and Colonialists. They did not hesitate to resort to threats and inducements. They tried to coerce those countries into changing their foreign policy and cutting off economic co-operation with China. When pressure failed, they resorted to other measures and tried to stop Chinese aid construction projects with their own promises of “aid”[.]

六十年代初，国际上的反华逆流甚嚣尘上。在帝国主义的欺骗和影响下，不少非洲国家对新中国缺乏了解，对于同中国建立和发展外交关系和经济合作顾虑重重；有的国家虽同中国签订了经援贷款协定，但迟迟不使用。中国向上述几个非洲国家提供经济技术援助引起了帝国主义、殖民主义的恐惧。它们不惜采取威胁利诱的手段，妄图诱逼这些国家改变外交政策，断绝同中国的经济合作；施加压力不成，又变换手法，企图以许诺“援助”来阻止中国承担的援建项目的实施[。]

(Shi Lin 石林 1989, 48–49)

While one certainly has to note the ideologically coloured language (Imperialists and Colonialists), it does not change the fact, that that, for example, that in 1963, China offered a 51 million US-Dollar interest free loan to Algeria (for statistics see Bartke 1975, 34), which at that time was the third largest recipient of Western aid (for statistics see Copper 1976, 74) – which further refutes the ideology argument.

1.4.2 Why did Zhou Enlai go to Africa? The Importance of Face Diplomacy

In light of Shi Lin’s elaborations, Zhou Enlai’s visit to Africa in late 1963 has to be understood as motivated by economic – and not ideological – reasons. Between 24 December 1963 and 29 February 1964, Zhou, accompanied by more than 50 official dignitaries, visited ten African countries on “Peking’s greatest diplomatic effort to date outside the Communist

world.”⁶⁸ The visit illustrates the value Zhou Enlai ascribed to “face-to-face” diplomacy. Aid and trade agreements were signed during personal visits, either of prospective partner countries’ delegations to China, or visits by Chinese trade delegations to the prospective partner countries. While African countries, as documented in Shi Lin, had sent delegations to China, Zhou’s trip in 1963 was China’s first high-level visit to Africa. Moreover, as can be seen from a statement by Zhou quoted in the memoirs of Lu Miaogeng 陆苗耕 (1939-), a former diplomat who had served as Director of the Africa Department in the Chinese Ministry of Foreign Affairs, Zhou believed that given the pressure that “the great powers” (大国) – the US and the Soviet Union – were exerting on African countries, only a personal visit would help to expand bilateral relations:

We have to break down the walls that the great powers have erected around us. We have to go out and make ourselves seen and heard.

我们必须打破级大国在我们周围筑起的高墙。我们必须走出去，让别人看到我们，听到我们的声音。

(Lu Miaogeng 陆苗耕 2015, 36)

It was during the visit, on 16 January 1964 in Ghana, that Zhou Enlai proposed “The Chinese Government’s Eight Principles for Economic Aid and Technical Assistance to Other Countries” (*Zhongguo zhengfu duiwai jingji jishu yuanzhu de ba xiang yuanze* 中国政府对外经济技术援助的八项原则), which as I have mentioned earlier still today constitute the basic principles of Chinese foreign aid (see, e.g. Chen Deming 陈德铭 2010). As can be seen in Figure 3, the “Eight Principles” were a synthesis of the “Five Principles of Peaceful Coexistence” and Zhou’s idea that foreign aid should support the recipient’s self-reliant economic development in a mutually beneficial way (namely through the use of Chinese personnel and materials) without imposing political conditions (except for the One China Principle, meaning that if a country recognised the PRC, it had to derecognise the ROC).

⁶⁸ This is how Zhou’s trip was described in a contemporary article in *China Quarterly*, “Chou En-Lai on Safari” (Adie 1964, 174). The ten countries included Egypt, the United Arab Republic, Algeria, Morocco, Tunisia, Ghana, Mali, Guinea, Sudan, Ethiopia, and Somalia.

Figure 3 Eight Principles of Foreign Aid

The Chinese Government's Eight Principles for Economic Aid and Technical Assistance to Other Countries¹

中国政府对外经济技术援助的八项原则

- (1) Equality and mutual benefit in providing aid to other countries. Aid is never regarded as a kind of unilateral alms but as something mutual.

中国政府一贯根据平等互利的原则对外提供援助，从来不把这种援助看作是单方面的赐予，而认为援助是相互的。

- (2) Respect for sovereignty of the recipient countries, without attaching any conditions or asking for any privileges.

中国政府在对外提供援助的时候，严格尊重受援国的主权，绝不附带任何条件，绝不要求任何特权。

- (3) Provision economic aid in the form of interest-free or low-interest loans and extension of time limit for repayment when necessary so as to lighten the burden of the recipient countries as far as possible.

中国政府以无息或者低息贷款的方式提供经济援助，在需要的时候延长还款期限，以尽量减少受援国的负担。

- (4) The purpose of Chinese aid 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.

中国政府对外提供援助的目的，不是造成受援国对中国的依赖，而是帮助受援国逐步走上自力更生、经济上独立发展的道路。

- (5) Help the recipient countries to build projects which require less investment while yielding quicker results, so that the recipient governments may increase their income and accumulate capital.

中国政府帮助受援国建设的项目，力求投资少，收效快，使受援国政府能够增加收入，积累资金。

- (6) Provision of best-quality equipment and material of Chinese 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.

中国政府提供自己所能生产的、质量最好的设备和物资，并且根据国际市场的价格议价。如果中国政府所提供的设备和物资不合乎商定的规格和质量，中国政府保证退换。

- (7) In providing any technical assistance, the Chinese Government will see to it that the personnel of the recipient country fully master such technique.

中国政府对外提供任何一种技术援助的时候，保证做到使受援国的人员充分掌握这种技术。

- (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.

中国政府派到受援国帮助进行建设的专家，同受援国自己的专家享受同样的物质待遇，不容许有任何特殊要求和享受。

Most notably, however, it appears that the “Eight Principles” were formulated as such “on the road”. According to Kong Yuan 孔原 (1906-1990), who served as the Director of the Foreign Affairs Office of the State Council (*Guowuyuan waishi bangongshi* 国务院外事办公室) and was part of Zhou’s delegation, “the Eight Principles were summed up [by Zhou] during the visit, through his thinking over and over about them, and through many discussion with Vice-Premier Chen Yi and [other] members of the delegation” (八项原则是周总理在访问过程中边谈边总结, 经过反复考虑, 同陈毅副总理和代表团成员多次讨论后归纳出来的) (Lu Miaogeng 陆苗耕 2015, 21).

Gregg Brazinsky (2017, 274) writes in his monograph *Winning the Third World* that each of the eight principles “was carefully calculated to appeal to African sensitivities”: mutual benefit should remind the African countries of China’s shared legacy of colonialism, the respect for sovereignty should contrast U.S.’s and Soviet Union’s interest-driven aid, stressing “self-reliance and independent economic development” offered African countries the opportunity to exclude the Great Powers, and adaptation to living standards should serve as a visible symbol of brotherhood. While his assessment represents one possible way of conceptualising the principles, I take issue with how “carefully calculated” it really was: to me, this neglects that the “Eight Principles” are a traceable outcome of a long chain of ideas on development which in parts were formulated by Zhou and Mao, but go back to Sun Yat-sen. Only, how different were Chinese foreign aid projects under Zhou Enlai’s lead from what Zhou called “*so called aid*”? The contemporary observer Peter Andrews Pool highlighted in 1966 distinctive features of Chinese foreign aid, which have been received positively by the recipient states: provision of loans without interest or at very low interest rates; emphasis on small, uncomplicated, light industrial projects that can be put into operation quickly and which yield some tangible benefits promptly to the recipient state; and the practice of insisting that Chinese technicians live at the level of their host country, to which he referred as a practice that parallels that of the American Peace Corps (Poole 1966). However, he also criticised the “rather blatant efforts to buy political influence with foreign aid” and what he called “the unsubtle use of in-country aid projects and “technicians” as cover for espionage and subversion.” (Ibid.) For the German sinologist Wolfgang Bartke, Chinese aid was “substantially selfless” – in contrast to the aid offered by the West or other communist countries like the Soviet Union. He argued: “China is outstanding not only because she offers economic aid loans without interest, but also because her terms of repayment are more favourable than those granted by any other country,

capitalist or communist.” (Bartke 1975, 9). Moreover, the Chinese aid personnel received remuneration corresponding to the living standards of the recipient countries – a fact which, in Bartke’s view, substantially increased the real value of aid compared to aid from Western countries because a large part of the latter went into high salaries and extravagant fringe benefits stipulated in the employment contracts of foreign experts (ibid.). What should not be forgotten is that living conditions in the partner countries of Chinese aid were often better than in China at that time.

1.4.3 How aid got China the UN seat

After Zhou visited Africa, the number of Chinese loans to African countries increased significantly: in 1964, it amounted to 53 per cent of all loans given to the continent in that year, meaning that China gave more than the Western countries and the Soviet Union combined (Yu 1988, 352). In May 1966, however, Mao launched the Cultural Revolution. While the movement paralysed China politically and severely damaged its economy and society, it did not discontinue foreign aid. Quite the contrary: at the height of the Cultural Revolution, in 1967, Zhou Enlai agreed that China would build the 2000km long Tanzania-Zambia Railway (TAZARA) after the project had been rejected as infeasible by the World Bank and several Western countries, connecting the copper mines of landlocked Zambia through Tanzania to the sea (Brautigam 2009, 39 ff.).⁶⁹ The Soviet Union’s invasion of Czechoslovakia in August 1968, the subsequent “Brezhnev Doctrine”, which declared that the Soviet Union would intervene in any Communist state where the Communist rule was threatened, and the clashes along the Sino-Soviet border at the Ussuri River in 1969 escalated the Sino-Soviet conflict. This led to a reassessment of China’s position vis-à-vis the United States.⁷⁰ Concurrently, the United States were holding secret peace talks with Vietnam. The newly elected President Nixon signalled in speeches that the United States were ready to reduce tensions.⁷¹ For China, this created a

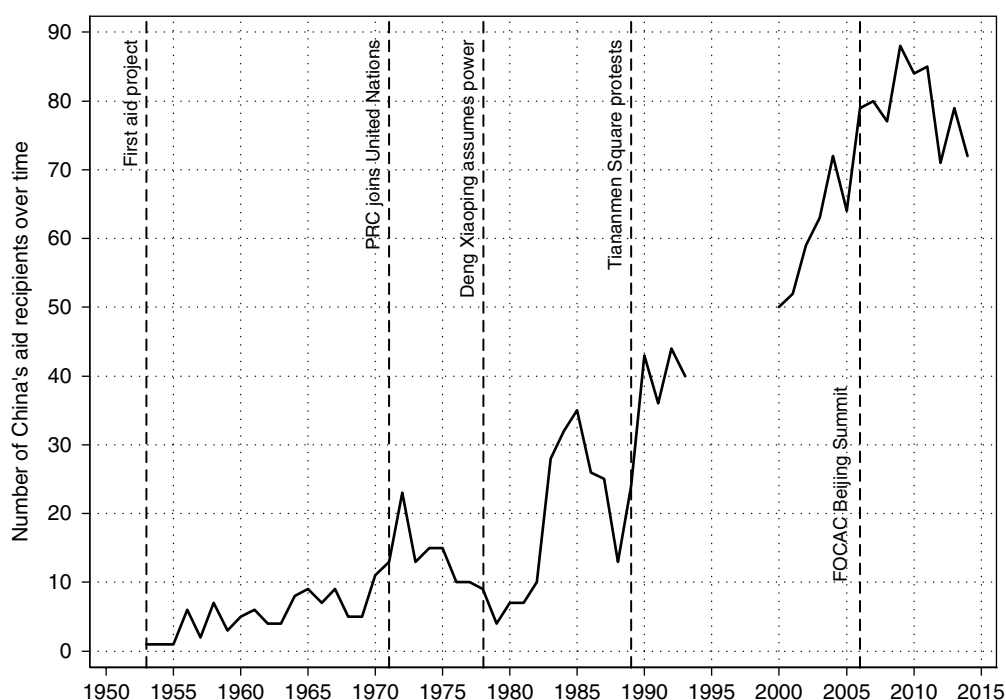
⁶⁹ Brautigam notes that TAZARA has been by far the most studied of Chinese projects in Africa. Constructions began in 1970 and finished in 1975, two years ahead of schedule.

⁷⁰ For a detailed prequel and chronology of the conflict and how China was using aid in the 1960s to counter the influence of the Soviet Union, see John F. Copper (2016, 136 ff). I will not go into more detail here because I do not see it as immediately relevant for my argument.

⁷¹ Amongst others, the US tried to revive the Sino-American ambassadorial talks through Pakistan and, on 23 September 1969, suspended a regular patrol by two destroyers from the 7th Fleet through the Taiwan Strait (Bostdorff 2002). The patrol was a relic of the policy enunciated by President Truman during the Korean War in 1950 that the 7th Fleet would be placed in the Taiwan Strait to prevent the Communist invasion of Taiwan (Warner 2007, 766).

window of opportunity to expand its efforts for international recognition. Between 1969 and 1970, Chinese foreign aid increased by 15 times, amounting to 64.9 per cent of all aid given by communist countries that year (John F. Copper 2016a, 152). The efforts proved successful: in 1971, the United Nations General Assembly supported Albania’s resolution to admit the People’s Republic of China to the UN, and to exclude the Republic of China on Taiwan in turn – with votes reportedly “skilfully organised” by Tanzania’s permanent representative to the UN (Brautigam 2009, 34). Figure 4, which Andreas Fuchs and I have compiled with data from Lin Teh-chang (1996) and from the AidData Database (Dreher et al. 2017) show, that the number of recipients increased rapidly in 1969, and that it continued to increase after the vote, between 1971 and 1972 (Fuchs and Rudyak 2019, 396).

Figure 4 Number of Chinese aid recipients over time (1953-2014)



Note: The break in the curve indicates that no data are available.

Source: Authors’ own figure with data from Lin (1996) and Dreher et al. (2017).

At the same time, econometric analysis by Axel Dreher and Fuchs had shown a visible correlation between the number of aid projects and the recipients voting behaviour in the UN: before 1971, countries that were in favour of China’s re-entering the UN, or were less aligned with the ROC on Taiwan, received significantly more aid projects than countries that were aligned with the ROC; a similar observation was made for after 1971, with the number of

recipient peaking in 1972 (Dreher and Fuchs 2015). Based on that data, Fuchs and I concluded that countries were rewarded for their voting behaviour.

However, Shi Lin's account of Chinese aid-giving in the 1970s suggests that it was not always the Chinese initiative to offer aid as a reward for PRC-friendly voting behaviour. Rather, during the talks on establishing diplomatic relations with the PRC, it also came about that African countries demanded compensation from China for the aid from Taiwan that they would lose through the diplomatic recognition of the PRC: "Some African countries pressed China to provide agricultural assistance and send agricultural technicians to replace the farming teams from Taiwan" (一些非洲国家...迫切要求中国迅速提供农业援助, 派农业技术人员接替台湾农耕对) (Shi Lin 石林 1989, 56). The ROC mainly provided agricultural aid, and the main purpose of its aid to African countries since the 1960s was the competition with the PRC for UN membership and recognition (W.-C. Lee 1993, 44); therefore it can be assumed that most of the technical teams were recalled after the derecognition.

According to Shi Lin, China sent more than 600 agricultural experts to 12 countries (Benin, Chad, Gabon, Guinea-Bissau, Madagascar, Niger, Rwanda, Senegal, Sierra Leone, Togo, Upper Volta (now Burkina Faso) and Zaire) between 1971 and 1974 to provide a replacement for the Taiwanese aid teams that left the countries after the ROC lost diplomatic recognition (Shi Lin 石林 1989, 56-57).⁷² China extended aid to 36 new countries during that period and provided aid to 66 countries altogether. In 1973, aid accounted for 7.2 per cent of the government's expenditures (Watanabe 2013, 105-7) and 2.05 per cent of GDP (Zhang Yuhui 张郁慧 2012). For comparison, in 1970, the UN adopted a resolution that developed countries should strive for an ODA target of 0.7 per cent of GDP *as a long term objective* (OECD 2019e).

This means that in 1973 China provided about three times as much aid as the target for DAC countries – a target that the DAC as a collective has still not managed to achieve.⁷³ Of that, 58.8 per cent was grant aid, while 32 per cent were complete plant projects and technical assistance, and 8.8 per cent cash aid (Shi Lin 石林 1989, 61).

⁷² Sierra Leone, Ruanda, Zaire recognised China in 1971; Benin, Chad, Madagascar, Senegal and Togo in 1972; Upper Volta (now Burkina Faso) in 1973; Gabun, Guinea-Bissau and Niger in 1974.

⁷³ In 2018, only four countries reached this target: Denmark, Norway, Luxembourg and Sweden. Collectively, the DAC countries have so far not managed to reach the 0.7 per cent target (OECD 2019a).

To manage the rapidly increasing aid volume and to better coordinate aid projects, China held five National Foreign Aid Work Conferences (*Quanguo yuanwai gongzuo huiyi* 全国援外工作会议) between 1971 and 1977 (Shi Lin 石林 1989, 61). The first conference in 1971 involved the central government agencies and 26 provinces, which established local foreign aid structures after the conference (ibid., 62). However, already in 1975, at the fourth Aid Work Conference, the director of the Foreign Economic Liaison Bureau (*Duiwai jingji lianluoju* 对外经济联络总局) Fang Yi 方毅 (1916-1997) had to acknowledge that China had overstretched its resources:

We have to take into consideration that the number of Third World Countries that ask us for aid is increasing day by day, the aid funds that were specified in already signed agreements are yet to be delivered, and the workload for ongoing and planned turnkey projects is huge – while our country's economic strength is limited. Therefore, within a certain period of time, we must earnestly implement the agreements we have signed with foreign countries, properly control the amount of newly signed aid, and ensure that foreign aid expenditures don't exceed a certain proportion of our overall government spending.

鉴于要求我国援助的第三世界国家日益增多，已经签订协议尚待交付的援款金额，以及已承担的在建和待建的成套项目工作量都很大，而国家的经济力量有限，在一定时期内，要认真执行对外已签订的协议，适当控制新签援款的数额，每年对外援助支出控制在国家财政支出的一定比例范围之内[。]

(Shangwu lishi, n.d.)

China began to re-evaluate foreign aid commitments and reduce aid spending: the proportion dropped to 6.3 per cent of government spending in 1974, then to 5 per cent in 1975, and further to 3.7 per cent in 1976 (Watanabe 2013, 105–7). Among the cuts was food aid to Albania, which China justified by the fact that it had to import grain itself, which it then passed on as aid to other countries; however, this contributed to the deterioration of relations between the two countries (Marku 2017, 268–69). Reportedly, the driving force behind the pragmatic shift was Deng Xiaoping (Zhou Hong 周弘 2013a, 211; Zhang Mianli 张勉勵 2017, 217). Deng, who after being purged by Mao early in the Cultural Revolution, was rehabilitated in 1974 thanks to Zhou Enlai and installed as vice-premier (he was elected vice-chairman of the CCP in January 1975) – though he was purged again in April 1976 before becoming the paramount leader after Mao's death.

Zhou Enlai died in January 1976, half a year before Mao, whose death on 9th September 1976 closed the chapter of Cultural Revolution. With the new “Reform and Opening-up” policy launched at the 3rd Plenary Session of the 11th CCP Central Committee in December 1978, China also (re-)opened China to incoming aid – almost 20 years after the Soviet Union

withdrew its technical experts because of the Sino-Soviet split. In 1979, Japan became the first country to provide official development assistance (ODA) to China upon signing the Sino-Japanese Peace and Friendship treaty of 1978 (Katada 2001, 49). Japanese aid mainly consisted of low-interest loans that financed importing industrial technology and materials from Japan in exchange for exports of Chinese crude oil and coal. This form of “barter trade” (*buchang maoyi* 补偿贸易), as Brautigam (2009, 47, 56) quotes a Chinese commentator, allowed “the construction of an oilfield [to] be paid by oil”; later it would serve as a model for China’s foreign aid to African countries. The Japanese government was keen to support China’s modernisation policy because it believed that it would be favourable to Japan, and it also feared that Deng’s position would be compromised if the reforms failed (Watanabe 2013, 100). In 1979, China signed an agreement with the United National Development Programme (UNDP) to receive assistance and also began to cooperate with other UN programmes (*ibid.*, 99). In April 1980, it joined the World Bank. Shortly afterwards, other bilateral and multilateral donors followed Japan and launched new assistance programs for China. China thus put a lid on Mao’s “self-reliance” ideology. With China being again a recipient and with the shift in the country’s overall economic policy, China’s new leadership began to re-evaluate the aid policy of the 1970s.

Chapter 2: The Long March to “Win-Win”: Assembling Chinese foreign aid thinking

In the late 1970s and 1980s, China’s aid giving changed dramatically.

China promised much less foreign aid.

Beijing described its aid as “mutually beneficial aid.”

Economic co-operation became the watchword.

John F. Copper, China's Foreign Aid and Investment Diplomacy I (2016)

In the scholarship on Chinese foreign aid, the period between 1978 and 1995 is usually summarised in a few sentences. They typically read like the above quote from John F. Copper (2016a, 11), stating that aid decreased “as a result of [China’s] focus on its domestic economic reforms and development” (Lengauer 2011, 57). Sometimes, the period is entirely omitted from the literature concerning aid, as in the following example (Liao et al. 2018):

Before the 1980s, Chinese foreign aid primarily served a political purpose, whereas since the 1990s, it also has been driven by commercial interests.

The few works that deal with foreign aid during this period do so in the context of China-Africa relations (e.g. Snow 1995; Yu 1988; Taylor 1998, 2006; Brautigam 2009; Morgan and Zheng Yu 郑宇 2019). While some (i.e. Snow 1995, 306; Taylor 1998, 443, 2006, 54–60) have argued that as China “opened-up” to the West after 1978, and therefore lost interest in developing countries and Africa, others (i.e. Brautigam 2009; Morgan and Zheng Yu 郑宇 2019) have focused on case studies.

This chapter fills the 1978 to 1995 gap by zooming in on government-linked foreign aid discourses. It argues that the major foreign aid reform of 1995, namely the introduction of foreign aid concessional loans (*duiwai yuanzhu youhui daikuan* 对外援助优惠贷款) managed by the newly set-up China Export-Import (Exim) Bank, were the outcome of a reform process that started in 1979. First, the chapter will attempt to debunk the assumptions that foreign aid lost its importance with the new leadership. It shows that, quite to the contrary, it was in 1979 (at least according to available sources) that foreign aid was explicitly named a strategic foreign policy tool, which was indispensable to secure a stable international environment for China’s modernisation policy. It argues that the new “Four Principles of Economic and Technical Co-operation” (*Jingji jishu hezuo de si xiang yuanze* 经济技术合作的四项原则), whose emphasis on “co-operation” was perceived as a departure from aid (Konings 2007, 349), actually represented an attempt to strike a delicate balance between finding ways to use aid to promote China’s own economic development – in a similar way to another major developing country,

India – and maintaining strong *relations* with “old friends” gained thanks to Chinese aid in the 1960s and 1970s. Second, using primary and secondary source material, this chapter shows that the shift towards an emphasis on economic co-operation – sought by China and frequently remarked upon in works on Chinese aid and Sino-African relations – essentially did not happen. Neither did the aid figures drop significantly, nor did China manage to shift to mutually beneficial co-operation in economic terms. This shift, the chapter argues, happened only after China was faced with a new crisis: the protests on the Tian’anmen square that ended with a violent crackdown, and ensuing sanctions by Western countries. It was then perceived as necessary to significantly increase aid to developing countries to ensure their political support, which, in turn, led to the creation of foreign aid concessional loans as a new mode of aid delivery.

Concessional loans represent the main manner in which China provides foreign aid today. They are an outcome of a foreign aid reform process that had started after 1978 while carrying a Mao-era legacy and an embodiment of a particular way of foreign aid thinking. Therefore, I argue that in order to understand the thinking and action logic behind Chinese foreign aid today, one has to understand the *assemblage* (DeLanda 2016) of Chinese concessional loans. Thus, the chapter stands for itself in that it explains the evolution of the aid, trade and investment trinity in Chinese aid; but at the same time, it provides the necessary context to understand the reform debates and reform steps discussed in the following chapters of this thesis.

2.1 Balancing Relational Security and Economic Needs after 1978

2.1.1 To Give or Not to Give? A Re-assessment of Mao-Era Foreign Aid Policy

The Third Plenum of the 11th Central Committee of the Communist Party in December 1978 confirmed Deng Xiaoping as the new paramount leader of the CCP. After the plenum, the new leadership began to re-evaluate the foreign aid policy of the late Mao years, which had been economically rather costly. As outlined in chapter 1.4.3, in the 1970s, the foreign aid spending nominally equalled about 2 per cent of China’s GDP (Zhang Yuhui 张郁慧 2012). There are, however, Chinese scholars (e.g. Xue Hong 薛宏 1993, 52; Chen Xingyao 陈兴耀 1994, 25) who argue that the real costs may have been higher: first, because the average costs of goods and services provided by China were priced below international market prices; second, because the wages of the vast majority of Chinese foreign aid experts, engineers and technical personnel, as well as most domestic administrative expenses, were not counted in the aid

budget; and third, because a considerable part of the foreign aid construction projects turned out to be more expensive than originally budgeted. A reminder: in 1970, the UN had adopted a resolution that developed countries should strive for an ODA target of 0.7 per cent of GDP as a long-term objective. For comparison, in 1978, the target was met only by Sweden, the Netherlands, Norway and Denmark⁷⁴ – till today, on average, DAC donors have been spending 0.4 per cent of GDP (OECD/DAC 2016). With its previous spending of around 2 per cent, China was counted at the start of the 1980s among the world's 20 least developed countries (LDCs) (Brautigam 2009, 54).⁷⁵ Now, with the newly proclaimed policy of “Reform and Opening” (*gaige kaifang* 改革开放) and the declared pursuit of the “Four Modernisations” (*sige xiandaihua* 四个现代化) in the areas of industry, agriculture, national defence, as well as science and technology, China needed its scarce economic resources for itself.⁷⁶

Whether China should continue to provide aid at all was much debated within the CCP at the time (Shi Lin 石林 1989, 68–69). The reason for the controversy was the deteriorating relations with two of the earliest and largest recipients of Chinese aid: Vietnam and Albania. According to the dominant narrative in China, the deterioration was caused by China's 1975 announcement to both countries to reduce the aid due to its own economic crisis (Shi Lin 石林 1989, 68–69; Zhou Hong 周弘 2013a, 211; Zhang Mianli 张勉勵 2017, 217).⁷⁷ After ending the war with the United States, Vietnam began to tilt towards the Soviet Union and joined the Soviet-led COMECON; in 1979, the rift with China escalated into a war (Path 2012). In Albania, the Prime Minister and party leader Enver Hoxha publicly accused Deng to be a

⁷⁴ Finland achieved the target once, in 1991; Luxemburg has been upholding it since 2000; the United Kingdom (UK) attained it for the first time in 2013 (OECD/DAC 2016).

⁷⁵ The category of LDCs was officially established in 1971 by the UNGA to attract special international support for the countries that were considered most vulnerable and disadvantaged (UN-OHRLLS 2020).

⁷⁶ The idea of “four modernisations” went back to Zhou Enlai, who first formulated this concept in the 1950s. It became policy in 1963 but was interrupted by the Cultural Revolution (see, e.g. Hofman 2018).

⁷⁷ In September 1975, Deng Xiaoping told the General Secretary of the Vietnamese Workers' Party Le Duan, that “the Cultural Revolution had an impact on China's economic development” (我们这些年搞“文化大革命”，影响了经济发展) and while China would continue to provide aid “as good as it can” (力所能及), it was “hoping for some breathing space” (希望你们也让我们缓一口气). (Zhou Hong 周弘 2013a, 211; an English translation of the Chinese version can be found in Zhang Mianli 张勉勵 2017, 217). In June 1975, the Vice Chairman of the CCP Li Xiannian 李先念 (1909-1992) met with Albania's Prime Minister Adil Çarçani and announced that China would cease grain (wheat) aid because it needed to import the wheat from other countries; furthermore, it would build less industrial projects, and not gift military supplies but provide them against a loan (Marku 2017, 268–69).

revisionist because of the U.S.-China normalisation (Marku 2017, 259). To some, both cases served as proof that foreign aid did not guarantee “friendship” (Shi Lin 石林 1989, 68 – 69).

Deng Xiaoping himself admitted that foreign aid spending in the 1970s had been too high,⁷⁸ but insisted at the Central Work Conference on Foreign Affairs (*Zhongyang waishi gongzuo huiyi* 中央外事工作会议) on 7 July 1979, that giving foreign aid was a strategic necessity for China:

It should be reaffirmed that we were right to aid the Third World⁷⁹ countries in the past. Our country is coping with economic hardships, but we still need to spend the necessary amount on foreign aid. From a strategic point of view, China has truly developed, and we need to spend an appropriate amount on aid. This should not be forgotten after China has achieved [economic] development.

应当肯定我们过去援助第三世界是正确的，我们国家经济困难，但是我们还得拿出必要数量的援外资金。从战略上讲，我们真正发展起来了，要用相当数量来援助，中国发展以后不要忘记这一点。

(quoted in Shi Lin 石林 1989, 70)

The meaning of Deng’s convoluted reasoning, “China has truly developed, and we need to spend an appropriate amount on aid”, can be understood when read against other contemporary documents.

For instance, the “Several Suggestions on Doing Good Work in Foreign Aid” (*Guanyu renzhen zuohao duiwai yuanzhu gongzuo de ji dian yijian* 关于认真做好对外援助工作的几点意见), issued by the State Council on 8 November 1980, stated that the “international standing” (国际上...的地位) China had achieved, was inseparable from foreign aid:

Foreign aid work is directly correlated with the friendly relations between China and the recipient countries. [...] It has played a positive role in consolidating and developing the international

⁷⁸ It is possible that it has been Deng’s opinion all along, that China was giving aid beyond its capacities, as it was him who announced to Vietnam in 1975, that China would have to reduce its assistance (Zhou Hong 周弘 2013a, 211; Zhang Mianli 张勉勵 2017, 217).

⁷⁹ The “Three Worlds Theory” (*Sange shijie de lilun* 三个世界的理论) Deng is referring to here, was proposed by Mao Zedong in a meeting with the first Zambian president Kenneth Kaunda in Beijing on 22 February 1974. According to Mao’s theory, the USA and the Soviet Union belonged to the first world; the middle powers Japan, Europe and Canada belonged to the second world; and China, together with all the Asian countries except Japan, all African countries and all Latin American countries belonged to the Third World (Song Yongyi 宋永毅 and Guoshi chubanshe 国史出版社 2018). Mao’s “Three Worlds Theory” is not to be confused with the “Three Worlds Model”, originally coined by the French demographer Alfred Sauvy in 1952, which divided the world into the capitalist world, the communist world, and non-aligned developing countries (Gregory et al. 2009, 754–55). According to the latter, China belonged to the second, communist world while e.g. India belonged to the third world. This is why Chinese texts until today stress that “China belongs to the Third World” (中国属于第三世界).

united front against imperialism, colonialism and hegemonism. It should be understood that we have helped others, and they have supported us [in return]. That we have achieved the position we have today in the world is inseparable from the support of friendly countries, especially the Third World countries.

援外工作直接配合了我国同受援国的友好关系[...]巩固和发展国际反帝、反殖、反霸统一战线，起到了积极作用。应当看到，我们援助了人家，人家也支持了我们。我国在国际上所以能够有今天这样的地位，是同朋友国家、特别是第三世界国家的支持分不开的。

(PLRC 1982, 728)

For this reason, the document harshly criticised those in the Chinese bureaucracy, who did not understand the strategic significance of foreign aid and were negligent in the implementation of foreign aid tasks, as being misguided:

Recently, we have encountered some problems in foreign aid. Mainly, it is some one-sided views and some ideological confusion regarding past and future foreign aid tasks. Some departments and provincial governments [...] are underestimating the role and significance of foreign aid. They even antagonise patriotism and internationalism and mistakenly believe that foreign aid will slow down the four modernisations. [...] They are unwilling to actively undertake foreign aid tasks [...] As a result [...] it is still quite a challenge to arrange the implementation of aid [projects], and plans have not been completed satisfactorily, which has had some harmful external effects. Some of our friends in the Third World wonder if our foreign policy has changed and say that we no longer care about “poor friends”.

当前，对外援助工作中遇到一些问题，主要是对过去的援外工作和今后的援外任务存在着一些片面看法，思想有些混乱。一些部门和地方[...]低估了援外工作的作用和意义，甚至把爱国主义和国际主义对立起来，误认为援外会拖四化建设的后腿[...]不愿积极承担援外任务[。]因此，[...]安排援外任务仍相当困难，计划完成的不好，对外产生了一些不良影响，一些第三世界国家的朋友怀疑我国的对外政策是否变了，说我们不要“穷朋友”了。

(PLRC 1982, 727)

The “Several Suggestions on Doing Good Work in Foreign Aid” document continued that negligence in foreign aid was dangerous because it could alienate “old friends”, whom the leadership believed China needed to pursue its development and modernisation agenda:

China needs a peaceful and stable international environment to pursue the four modernisations. To oppose hegemonism and safeguard world peace is China’s general foreign policy. Foreign aid work is part of foreign policy and must serve this general purpose. Therefore, foreign aid is an indispensable strategic expenditure. In the future, we must continue to work hard to achieve better results than in the past despite the reduction of foreign aid expenditure.

我国进行四化建设，需要有一个和平安定的国际环境。反对霸权主义，维护世界和平，是我国对外工作的总方针。援外工作作为外事工作的一个方面，必须为这个总方针服务。因此，对外援助是一笔不可缺少的战略支出，今后必须继续认真地做好工作，争取做到援外支出虽有所减少，但收到的效果比过去更好。

(PLRC 1982, 728)

Claiming the UN-Seat from Taiwan and the détente with the United States under Richard Nixon did not alleviate the general sense of insecurity. This was especially because the 1973 oil crisis had triggered the worst global recession of the post-war period, which mainly affected developing countries. Not much later, the Soviet intervention in Afghanistan in 1979 and the United States' responding with a boycott of the Moscow 1980 Olympics fuelled fears of a new Cold War escalation. As Mao who had feared in the mid-1950s that China could be dragged into a proxy war between the Soviet Union and the U.S. and would therefore be forced to delay its first Five Year Plan (chapter 1.3.2), in the early 1980s, the new leadership similarly feared that the “hegemonistic” (*baquan zhuyi* 霸权主义) U.S.-Soviet conflict could spill-over to the third world and delay the “four modernisations”.⁸⁰ According to contemporary sources, China's leadership core believed that in order to realise the modernisation agenda, China should not be involved in a war for at least the rest of the 20th century and the first half of the 21st century (Lin Xianjie 林贤杰 1985, 3).⁸¹ This explains why Chinese leaders saw foreign aid as a strategic tool that served China's overall foreign policy.

That foreign aid could help create “a peaceful and stable international environment” was obviously grounded in the hypothesis that since foreign aid had been reciprocated in the past – “we have helped others and they have supported us” – it would also be reciprocated in the future. Here, China's understanding of foreign aid echoes the elaborations on *reciprocity* in Marcel Mauss' (1990) classic work *The Gift*. According to Mauss, the *gift* creates a social bond

⁸⁰ The perceived threat is evident in many speeches of Chinese leaders in the early 1980s, e.g. the following:

Party Secretary Hu Yaobang argued in his address to the 12th National Party Congress in September 1982 that: “The hegemonic superpowers constitute a new threat to the people of the world. [...] They compete for global power with military strengths far beyond any other country. [...] [B]ecause of [that], the danger of a world war is becoming greater day by day.” (实行霸权主义的超级大国，又构成了对世界人民新的威胁。[...]以远远超过其他任何国家的军事实力，在世界范围内展开争夺[。]世界大战的危险[...]越来越严重。) (Hu Yaobang 胡耀邦 1982b).

Premier Zhao Ziyang 赵紫阳 cautioned in his address to the South-South Co-operation Conference in Beijing in April 1983, that: “In recent years, the Western countries are experiencing the deepest economic crisis since the 1930s. [...] This has not only seriously affected the development and the revitalization of the Third World countries, but has also brought turmoil and instability to the international situation.” (近年来，西方发达国家正经历着一次三十年代以来最深刻的经济危机。[...] 这既严重影响第三世界国家的经济发展和振兴，也加剧了国际局势的动荡和不稳。) (Zhao Ziyang 赵紫阳 1983a; Beijing Review 1983c)

⁸¹ This was stated in a 1985 article in the *Guoji zhanlan* 国际展望 (*Global Review*), the journal of the Shanghai Institute for International Studies (*Shanghai guoji wenti yanjiuyuan* 上海国际问题研究院), which was then and still is China's second-largest foreign policy think tank.

between the giver and the recipient through the chain of action: giving, accepting and expected reciprocity/obligation to reciprocate (Mauss 1990, 10–18). An unreciprocated gift (or charity) makes the recipient inferior (Mauss 1990, 83). In this context, Emma Mawdsley (2012b) has outlined how *gift theory* has been employed to critically assess Western ODA, which, while claiming to be “free” or “charitable” and “altruistic”, in many cases demonstrably has been dominated by political, strategic and economic interests of the donors. In contrast, Mawdsley suggests, the language of *mutual benefit* embedded in South-South Co-operation practices symbolically establishes the receiver’s ability to reciprocate, and therefore affords *status*:

... in contrast to the DAC / Western donors, in which (apparent) charity (i.e. unreciprocated giving from the generous rich to the needy poor) constitutes the dominant symbolic and performative regime, in South–South development co-operation, partner countries are constructed as sites of promise, offering counter-gifts of diplomatic solidarity and economic opportunity.

(Mawdsley 2012b, 264)

The strategic dimension of affording *status* through symbolically establishing the receiver’s ability to reciprocate is the expected increase in *relational power* – namely, that having received Chinese foreign aid under the assumption of mutual benefit, the recipients will in the future politically support China in order to reciprocate the gift/maintain their status as equals. The strategic logic behind this foreign aid thinking can, I believe, be best explained through the lens of Qin Yanqing’s (2018) *Relational Theory*, which I have discussed in chapter 1.3. Qin argues that if one follows the logic of *relationality*, the actions an actor undertakes are determined by their *relations* with the specific other (Qin Yaqing 2018, 207). He puts such relationship-oriented action in contrast to the assumptions of mainstream IR theories, which presume that an actor decides *rationally* based on her *fixed interests* (*rational choice*). *Relational theory*, on the contrary, assumes that interests are not fixed, but fluid and change as the nature of a relationship changes. Thus, when Chinese leaders spoke of foreign aid being a strategic tool, they did so not with a specific, *fixed interest* in mind (e.g. to spread the Maoist model, as written in many U.S. publications), but with the aim to of maintaining and improving *relationships*, premised on the assumption that if there is an established relationship, a *shared interest* can always be found. This is why they believed it was so important to maintain “friendly” relations and not alienate “old friends” and why Deng argued that China, despite its own economic problems, “must spend the necessary amount on foreign aid” (得拿出必要数量的援外资金) to keep them (Shi Lin 石林 1989, 70). As discussed later in this chapter (2.4), China indeed benefitted from investing in relational power after 1989, when it faced

international sanctions after the Tian'anmen square crackdown and when Taiwan attempted to re-enter the UN.⁸²

2.1.2 How to Give "Correctly"?

The decision that foreign aid was an indispensable foreign policy tool did not change the fact that China was poor and could not continue to give the same amount of foreign aid as in the past. Therefore, Deng declared at the Central Work Conference on Foreign Affairs on 7 July 1979 that:

The basic principles should still be the Eight Principles [of Foreign Aid], but the specific modes should be revised[.]

基本上援助的原则还是那个八条，具体办法要修改[。]

(quoted in Shi Lin 石林 1989, 70)

Elsewhere, in October of that same year, he argued that:

[W]hen our per capita income reaches 1000 US-Dollar, and our lives are maybe better, then we can afford to spend more on helping the poor countries of the Third World. Now, we are too weak.

等到人均达到一千美元的时候，我们的日子可能就比较好了，就能花多一点力量来援助第三世界的穷国。现在我们力量不行。

(Deng Xiaoping 邓小平 1979)⁸³

One should note here that China indeed increased its aid spending when it was “better off”, as the rapid growth of Chinese official development finance after 2000 coincided with China's high GDP growth rates.

In March 1980, however, the National Conference on Foreign Economic Work (全国外经工作会议) decided that China had to significantly reduce foreign aid; and that “while helping to advance the economic development in recipient countries, foreign aid should also serve China's economic construction” (既要促进受援国的经济发展，也要服务于中国的经济建设) (*Shangwu lishi* 商务历史, [online]).⁸⁴

⁸² It would be promising to further explore how the combination of *gift theory* and *relational theory* can help to better conceptualise Chinese foreign aid. While this goes beyond the scope of this thesis, it is a topic I would like to pursue in future research.

⁸³ Deng made this statement in the speech “A Few Comments on Economic Work” (*Guanyi jingji gongzuo de ji dian yijian* 关于经济工作的几点意见) given at the Session for the First Secretaries of CCP Provincial and Municipal Committees (中共省、市、自治区委员会第一书记座谈会) on 4 October 1979.

⁸⁴ The quote is taken from the “Report on the current general situation and future policies and tasks of foreign economic work” (*Guanyi duiwai jingji gongzuo dangqian jiben qingkuang he jinhou fangzhen renwu de baogao*

How to manage the delicate balance of reducing foreign aid and using it to promote China's own economic development – without alienating aid recipients – was an issue of major concern to China's leaders. This can be derived from the following speech “On the questions of foreign economic co-operation” (*Guanyu duiwai jingji guanxi wenti* 关于对外经济关系问题) by the General Secretary of the CCP Hu Yaobang 胡耀邦 (1915-1989), held on 14 January 1980, who asked, “How to support the Third World correctly?” (如何正确地支援第三世界?):

Most Third World countries are friendly with us [...], but their social and economic systems and their levels of economic development vary widely. As for the socio-economic and political situation and class conditions in the Third World countries, so far, we have done only very little study of it, we do not really understand it, one could even say we are rather in a state of total confusion. [...] Speaking of the level of economic development, most Third World Countries are poor or very poor, but there is also a small number of countries that are very rich. Quite a few Third World countries are much richer than us. I believe that in view of all these complexities, we need to study extremely carefully how exactly our policy of supporting the Third World countries – including economic assistance and economic exchanges – should look like and how to treat them in a differentiated way.

For example, a trend we cannot ignore is that many countries in the Third World are engaged in a considerable build-up of their defence and their economies. [...] We may very well engage in economic co-operation with them, and we can also make some arms trade with them. Certainly, we should not be completely ambitionless with this kind of relations, but we also should not strive to maximize profits.

[...] As for economic aid, history has shown us that the method of giving everything away for free is bad for both sides. But this needs to be handled appropriately. We really have to pay attention to absolutely avoiding the impression international as if in the past years, we sent money everywhere to make friends, and now [after the PRC had the UN seat – *ed. note*] it is all about costs. If not, even old friends can be lost. We have to tell our comrades that supporting the Third World is a question of strategic nature. It should absolutely not be treated lightly.

I have talked to some foreigners and got the feeling that many countries in the Third World want us to help them develop. [...] India has been developing joint ventures abroad in recent years, mainly in Third World Countries. This has been very effective. We should also do more in this regard.

如何正确地支援第三世界?

第三世界多数国家都同我们友好 [...] 但它们的社会制度、政治制度和经济发展水平, 却有很大不同。[...] 对于第三世界国家的社会经济政治状况和阶级状况, 我们至今还很少研究, 不甚了了, 甚至可以说还处在一团混沌的状态。[...] 就经济发展水平而论, 第

关于外经工作当前基本情况和今后方针任务的报告), which was presented by the Ministry of Foreign Economic Liaison (*Duiwai jingji lianluobu* 对外经济联络部) after the National Conference on Foreign Economic Work (*Shangwu lishi* 商务历史, [online]).

三世界的大多数国家是穷国和最穷国，但也有少数国家很富。不少第三世界国家，比我们富得多。鉴于以上这些复杂情况，我认为，对于支援第三世界国家的方针，包括经济援助和经济交往的方针，究竟应当如何具体执行，如何分别对待，需要过细地加以研究。

比如说，当前一个不可忽视的动向，就是第三世界许多国家都在进行相当规模的国防建设和经济建设 [...] 我们很可以同他们搞经济合作，也很可以搞一点军火贸易。当然，在这类交往中，既不当无所作为，也不要想趁机捞一把。

[...] 至于经济援助，根据历史经验，那种完全奉送的办法，对双方都不利。当然，要处理得当。要注意一个问题，绝对不可在国际上造成一种印象，似乎前些年我们到处送钱交朋友，现在却只算经济账，连老朋友都可以丢。要告诉我们的同志，支援第三世界国家是一个带有战略性质的问题，切不可掉以轻心。

我同一些外国人谈话，感到第三世界许多国家是希望我们帮助他们开发的。[...] 据说印度近年在国外，以第三世界国家为主要对象，发展合资企业，很有成效。我们也应当在这方面做出更多的事情。

(Hu Yaobang 胡耀邦 1982a)

Hu Yaobang's speech admitted that while China needed to readjust its foreign aid policy, the leadership had not defined a plan for how this was supposed to happen. First, Hu explained that although China had been giving foreign aid to other countries for over twenty years, it knew very little about the countries it aided: "we do not really understand...the socio-economic and political situation in Third World Countries" (对于第三世界国家的社会经济政治状况, 我们...不甚了了). (*Without jumping too much ahead, I would like to note that this self-critique would be repeated during the reforms in the mid 1990s and, in fact, continues to persist till today.*) This raises the question of whether the responsible Chinese actors during the Cultural Revolution were aware that many of the (especially African) recipients of Chinese foreign aid were economically better-off than China. It is possible that the facts were known and that they nevertheless decided to commit to high aid volumes for strategic reasons, but it is equally possible that with better knowledge China's access to the UN could have been "acquired" at lesser expenses. Second, Hu Yaobang argued that given the situation in the Third World countries "varied widely" (却有很大不同) – some were poor, some were rich, and some were richer than China – China needed a "differentiated" (分别对待) foreign aid approach. What was apparently certain is that China no longer wanted to give grant aid, which can be inferred from Hu's statement that "history has shown us that the method of giving everything away for free is bad for both sides" (根据历史经验, 那种完全奉送的办法, 对双方都不利). Yet, how such a differentiated approach could look like, was something that "required further careful research" (需要过细地加以研究). Particularly, given that – here Hu repeated the

warnings expressed in the 1980 document “Several Suggestions by the CCP Central Committee and the State Council on Doing Good Work in Foreign Aid” – China absolutely needed to avoid the impression that its foreign policy was now costs-oriented, “as if in the past years we sent money everywhere to make friends, and now it is all about costs” (似乎前些年我们到处送钱交朋友，现在却只算经济账). While Hu suggested several examples, such as economic co-operation, trade, or foreign aid joint ventures as in the case of India, these were only formulated as suggestions to be explored and not as a defined strategy. In fact, Hu’s quoting of the Indian example is the only specific suggestion, and I believe that his mention of India and that Indian joint ventures were “very effective” (很有成效) and “a direction in which China should also do more” (我们也应当在这方面做出更多的事情) is significant. I suggest that there is sufficient evidence to assume that the “Four Principles of Economic and Technical Co-operation” (经济技术合作的四项原则), which were adopted as China’s new foreign aid policy in late 1982, are in fact strongly modelled on the Indian example.

2.2 Striking Parallels—India’s Aid Approach and the “Four Principles”

2.2.1 Did China Learn from India?

In September 1982, the Ministry of Foreign Economic Relations and Trade presented a new foreign aid strategy, which became known as the “Four Principles of Economic and Technical Co-operation” after China’s Premier Zhao Ziyang 赵紫阳 (1919-2005) announced it under this name during his visits to Africa in 1983. The “Four Principles” were “mutual benefit” (*pingdeng huli* 平等互利), “practical results” (*jiangqiu shixiao* 讲求实效), “diversity of forms” (*xingshi duoyang* 形式多样) and “common development” (*gongtong fazhan* 共同发展). The first and the fourth principle, “mutual benefit” and “common development”, were a rephrased version of Zhou Enlai’s “Eight Principles” of foreign aid, while the principles two and three, “practical results” and “diversity of forms”, presented a new addition.

The mention of India led me to question the role of the Indian model in the “Four Principles of Economic and Technical Co-operation”. I undertook a search in the China academic journals database *Zhongguo zhiku* 中国智库 (CNKI) and the *Renmin Ribao* (*People’s Daily*) database for the years 1979–1983. The reason why I chose 1979 as the starting point is that that year China and India re-established their diplomatic relations after a long halt due to the Sino-Indian border war of 1962 and India’s friendship and co-operation agreement with the Soviet Union,

whom China viewed as hostile after the Sino-Soviet split. The endpoint of 1983 was chosen to account for a possible time lag in publications. The search returned a number of articles written mostly by government-linked research institutes, which discussed the Indian foreign aid approach. A juxtaposition of how the authors depicted the Indian approach and the official texts that described the “Four Principles” aid strategy in 1982 reveals that the content of “practical results” and “diversity of forms” in essence reflects what the Chinese discourse underscored as good practices in Indian foreign aid. These parallels appear too striking to be merely coincidental, which suggests that China – like Hu Yaobang suggested – may have borrowed from the Indian example when designing the new foreign aid policy. I could not find any explicit government-linked statement that it did, but given that China had just recently (in 1979) re-established diplomatic relations with India after a long halt due to the Sino-Indian border war of 1962, it would not be surprising that a step of “learning from India” would not have been made public. In the following, I will first map out the Chinese debate on Indian foreign aid since 1979 and then match it against the new Chinese foreign aid policy introduced in late 1982.

India has an equally long history of aid giving as China. It started to provide foreign assistance in 1951 in the framework of the Colombo Plan,⁸⁵ with Nepal being the first recipient (Dutt 1980, 672). Thus, like China, it had been a recipient and a donor at the same time. Initially, India’s aid consisted primarily of sending technical experts and export of intermediate technology. After 1971 it expanded its aid program by including African countries under the Special Commonwealth African Assistance Plan (Dutt 1980, 672).⁸⁶ Since the late 1950s, India started to build joint ventures in developing countries, which it considered part of its foreign aid efforts and therefore subsumed them under the broader term of economic co-operation. Initially not very successful, the joint ventures started to gain speed in the 1970s. By 1978, India had 92 industrial joint ventures in South-Asia and Africa in operation; 68 more were in the process of being built (Dutt 1980, 674). In addition to supporting the economic

⁸⁵ Initially called the “Colombo Plan for Cooperative Economic Development in South and Southeast Asia”, the Colombo Plan was launched on 1 July 1951 by seven Commonwealth nations – Australia, UK, Canada, Ceylon, India, New Zealand, and Pakistan – to promote the economic and social development in South and Southeast Asia (The Colombo Plan n.d.).

⁸⁶ China had been a recipient of Soviet aid between 1950 and 1960 and became again a recipient – then of DAC aid – in 1978.

development of recipients, their purpose was to open new markets to Indian industries, which India did by forging strategic links between aid and investment and by targeting primarily countries with which it already had trade agreements (Ibid.).⁸⁷

After the leadership change in China in 1978, the détente between the two countries opened a space for renewed bilateral exchanges, which on the Chinese side were facilitated by the foundation of the Chinese Association for South Asian Studies (CASAS) (*Zhongguo nanya xuehui* 中国南亚学会) under the CASS in 1978.⁸⁸ Furthermore, the rapprochement allowed China to participate in the first South-South Co-operation Conference, which took place in New Delhi from 22-24 February 1982. Thus, Chinese scholars and politicians gained access to Indian economic journals and government yearbooks, which - as evident from bibliographic reference lists in Chinese articles – served as a basis for analysing India's foreign aid policy. The articles all paid particular attention to the links between economic aid and economic co-operation and Indian strategies to employ them to promote its own economic interests. In the selection of articles surveyed here, I have focused on those published by authoritative outlets with links to the Communist Party and the Chinese government.

One article that appeared in the official party newspaper *Renmin Ribao* (*People's Daily*) in July 1981 reported that India was setting up joint ventures and provided technical advisory services to developing countries (Li Nan 李楠 1981):

India is a developing country. Every year it receives aid from developing countries and imports technology and equipment. At the same time, India also exports technology, equipment and labour; it earns foreign reserves and supports the national economy.

An important way for India to export technology, labour and equipment is through joint ventures. [...] In Africa, India already has 40 joint venture in operation, mainly in East and West Africa. Such joint ventures are easy to set up, they do not require sophisticated technology, they absorb a large amount of labour force, produce quickly visible results, and cater to African needs. [...]

India provides technical advisory services. Although they are not as sophisticated as [services] provided by developed countries, they also have their advantages as they are more suited for the level of production in these countries and are cheaper. [...]

⁸⁷ The topic of Sino-Indian competition in Africa by means of foreign aid after the Sino-Indian border war is yet to be explored by scholars.

⁸⁸ The CASAS was established in 1978 as a national level (*quanguo xing* 全国性) academic body under the CASS and is affiliated with the CASS Asia-Pacific Institute (*Yazhou taiyang yanjiusuo* 亚洲太平洋研究所) (Baiké Baidu 百度百科 2020).

India calls these economic activities sometimes “technology export” or “labour export” and sometimes “economic co-operation” or “economic aid”. No matter how it is called, India is very active in this respect and employs all kinds of diverse modes.

印度是一个发展中国家，每年从发达国家接受援助，进口技术和设备。与此同时，印度也向其他国家出口技术、设备和劳动力，以赚取外汇，支持本国经济。

在国外设立合营企业是印度输出技术、劳力和设备的重要途径。[...] 印度在非洲已开工的合营企业有 40 多家，多在东非和西非。这种合营企业的特点是兴办容易，不需要尖端技术，吸收劳动力多，易见成效，适合非洲的需要。[...]

印度提供的技术咨询服务，虽然不是高精尖，象一些发达的国家那样，但也有优势，比较适应这些国家的生产水平，收费较低廉。[...]

印度把这些经济活动有时称作“技术出口”、“劳动出口”，有时又称之为“经济合作”，“经济援助”。不管如何称呼，印度在这方面是很积极的，而且方式也是多种多样的。

The author highlighted that despite being a developing country and an aid recipient, India managed to promote its own exports by means of joint ventures, which was sometimes framed as “economic co-operation” (经济合作) or “economic aid” (经济援助). Hereby, India was employing “all kinds of diverse modes” (方式...多种多样的) and delivering “quick and visible results” (易见成效). This way, India’s approach was mutually beneficial as it “supported [India’s own] national economy” (支持本国经济) while at the same time “catering to the African needs” (适合非洲的需要).

In the journal *Shijie jingji* 世界经济 (*Wold Economy*) of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences (CASS-IWEP) (*Zhongguo shehui kexueyuan shijie jingji yu zhengzhi yanjiusuo* 中国社会科学院世界经济与政治研究所), an article by the Sichuan University economist He Chengjin 何承金 (1981) published in September 1981 analysed India’s “foreign aid diplomacy” (援助外交). The publication is of relevance because of the closeness of CASS-IWEP to the Chinese government: it advises the government on questions of international political economy. In his article, he outlined that India had been actively engaged in “development aid diplomacy” since the 1960s, but after the Bharatiya Janata Party (BJP) came to power in March 1977, even “more emphasis was placed on the economic dimension” (更加强调赋予外交以经济内容) by focusing on “providing machinery and equipment, sending experts and setting up joint ventures abroad, and [giving] loans” (提供机器设备，派遣专家、开办海外合资企业和贷款等形式) (He Chengjin 何承金 1981, 64). He noted specifically the concessional nature of Indian loans. Indian aid projects had to be implemented through Indian companies and were tied to the purchase of Indian goods:

In less than 20 years, India has provided official assistance to more than 60 countries [...]. Most of this aid is linked to its strategy of commodity export development. [Loans *translator's note*] are used to pay for equipment provided by relevant cooperating enterprises, which promotes the development of India's exports and the diversification of its commodity structure.

在不到 20 年的时间里印度已向第三世界 60 多个国家提供官方援助[...]。这笔援助中,[...] 大部分都是与它的商品输出 – 发展出口的战略相联系, 以对有关合作的企业提供设备等形式进行支付, 因而促进了印度出口的发展和商品结构多样化。

His final assessment implied that India's strategy had been successful because it helped India promote its exports and diversify its external trade.

A similar assessment can be found in the outcome report of the “Forum on the Comparative Economic Development of China and India” (*Zhong Yin jingji fazhan bijiao taolunhui* 中印经济发展比较讨论会), which was convened in October 1982 by the Chinese Association for South-Asian Studies. The report stressed the advantages of India's approach compared to China's (Hai Ping 海平 1982, 51). Hereby, the author criticised that China had overstretched its economic capacities when giving aid, particularly in the 1970s. India, on the other hand, in the eyes of the report, managed to use foreign aid to promote the internationalisations of Indian industries and generate economic benefits for itself (while also helping others). For the author, the path taken by India was a path that “could be used for reference” (是可取的), meaning that it was something that China could emulate:

[...] For a long time, China has been giving foreign aid beyond its capacities. A huge amount of funds, material and financial resources was wasted. [...] Some aid projects, such as the TAZARA⁸⁹ Railway, have actually become a burden. These lessons have to be taken seriously. The purpose of India's foreign aid and economic co-operation is to expand outward, but that India tries to use its foreign aid and economic co-operation as a pathway for its industry to go out, this can be used for reference. India has thus established an economic foothold in some Asian, African and Latin American countries. Over the past three decades, India has invested about 3 billion US-Dollar in foreign aid and economic co-operation and established over 200 joint ventures abroad. Its foreign exchange reserved from the export of labour service alone reached more than 2 billion US-Dollar in 1978 [referring to overseas contracting by Indian enterprises]. It exported 11.2 million workers, which was nearly 11 times more than in 1968. In recent years, China also started considering labour export, but we are still a very long way from being where India stands.

⁸⁹ The Tanzania-Zambia Railway (TAZARA) is a rail line running between Dar es Salaam and Kapiri-Mposhi on the Zambian border. It was built with Chinese help and completed in 1976 and is considered a landmark of co-operation for China and Zambia. For a study on the history and impact of Tazara, see Monson (2011).

[...] 长期来，我国在对外援助方面自不量力，造成大量资金、物力和财力的浪费，[...] 有些援建项目如坦桑铁路实际上成了包袱。这些教训必须认真对待。印度对外援助和经济合作，其目的是为了向外扩张，但印度把外援和经济合作作为其谋求工业出路这一点，是可取的。印度因而在亚非拉一些国家，建立了经济立脚点。三十年来印度对外援助和经济合作的投资共约 30 亿美元在国外建立合营企业达 200 多个，其中单劳务出口收入外汇即已达 20 多亿美元 1978 年，印度出口劳动力达 120 万人比 1968 年加近 11 倍。近年来，我国也开始重视劳务出口，但比印度相差还远。

A further interesting and relevant analysis was published by Hua Biyun 华碧云 and Ma Jiali 马加力(1983), researchers at the China Institute for Contemporary International Relations (*Zhongguo xiandai guoji guanxi yanjiusuo* 中国现代国际关系研究所, CICIR) who analysed the overall patterns of “India’s economic co-operation with the Third World” (印度与第三世界的经济合作). The CICIR, it should be noted, is a think tank under the Ministry of State Security (*Guojia anquanbu* 国家安全部, MSS),⁹⁰ which is China’s (civilian) intelligence, security and secret police agency.⁹¹ First, Hua and Ma highlighted that India was using its joint ventures and economic and technical aid to balance the effects of the global recession. As I have noted earlier, this point stands out because the Chinese leadership was worried about the effects the recession might have on global stability and China’s modernisation policy. India, noted Hua and Ma, was able to capitalise on the fact that its “intermediate technology” was more suited for the needs for Third World countries than the [technology] of developed countries” (其“中间技术”比发达国家的技术更适应第三世界的需要) (p. 25). However, they noted, India was not only engaged in bilateral development co-operation. Indian companies were also successful in winning bids for development co-operation construction projects of the World Bank and the Asian Development Bank. In this context, the authors visibly underline the role played by the Indian SOEs: “Although Indian SOEs entered the overseas contracting market later than the [Indian] private firms, they now account for 70 per cent of all contracts” (印度国营公司虽比私营公司进入海外承包市场晚，但现已占承包额的 70%) (p. 26). This implies that they saw a similar opportunity for Chinese state-owned

⁹⁰ At the time of publishing of the named article, CICIR was under MSS’s predecessor, the Central Investigation Department (CID), which was transformed into the MSS in July 1983.

⁹¹ Although the article appeared in in CICIR’s journal *Xiandai guoji guanxi* 现代国际关系 (*Contemporary International Relations*) in May 1983, it can be assumed that the related research had been submitted to the CID at an earlier date.

enterprises if the Chinese government decided to follow a similar path (which it did a few years later). Furthermore, the article highlights that India's bilateral agreements with Third World countries were quite diverse and included "not only joint ventures, contracted engineering projects, scientific and technical co-operation, and Indian government aided construction projects, but also light industry technology and management technology" (除合营企业、承包工程、科技合作协定、政府援建工程所涉及的项目外, 还包括各种小工业技术和管理技术) (p. 27). Hua and Ma conclude that Indian joint-ventures in particular, despite their small investment scale, "have helped to build India's technological image and became an important instrument for the promotion of Indian exports" (有助于树立印度的技术形象, 印度把它作为促进出口的重要手段) (ibid.). Thus, like other observers, Hua and Ma agree that India's foreign aid approach not only supported the economic construction of recipient countries but also "served as a driver for the export of [India's] domestic goods and capital" (带动了本国商品输出和资本输出) (p. 28).

All the articles quoted above have in common that they highlight various links between Indian foreign aid and economic co-operation and India's strategic use of both to promote its exports to the recipient countries. What the Chinese authors describe as the (comparative) advantage of the Indian approach can in essence, be summarised in four points:

(a) The Indian approach was characterised by a diversity of forms that were employed differently depending on the country.

(b) Indian aid was mutually beneficial in economic terms. Unlike China, which had been providing a substantial amount of its foreign aid in the form of non-reimbursable assistance, which Hu Yaobang described as "giving everything away for free" (完全奉送的办法), only a fraction of Indian aid was "free".⁹² Instead, India provided its aid in loans, which were tied to the use of Indian goods and technology and the execution of foreign aid projects by Indian companies. Thus, India was not only helping other countries, but was also promoting the export of its goods and technologies.

⁹² This aspect was particularly stressed in a 1983 article in the *Renmin Ribao* (Liu Zhengxue 刘正学 1983).

(c) India achieved quick results with small investments; Indian joint-ventures were small scale, and their “intermediate technology”, though less advanced than that of developed countries, was a better fit for the needs of developing countries. The Indian approach was “practical” in that it suited the technological and financial capabilities of developing countries. It helped India build an image as a technology provider, while India itself was spending substantially less on aid than China.

(d) India benefitted from its bilateral aid projects and as a contractor in multilateral aid projects: Indian state-owned construction companies were successful in winning bids for international development co-operation construction projects by multilateral development banks. This strengthened India’s reputation as a provider of development-oriented services in the Third World and generated foreign exchange revenues for the Indian government.

2.2.2 The “Four Principles of Economic and Technical Co-operation”

The new foreign aid policy, which was announced after the 12th Party Congress in September 1982, bears great similarities with the points Chinese observers had identified as successful in the Indian approach. This can be exemplified by two sources. The first is an article in the *Renmin Ribao*, authored by the Minister of Foreign Economic Relations and Trade Chen Muhua (1921-2011). The second is a transcript of Premier Zhao Ziyang’s proclamation of the “Four Principles of Economic and Technical Co-operation” during his visits to Africa from December 1982 to January 1983.

Let me begin by providing some context for the first source: since March 1982, foreign aid was under the responsibility of the Ministry of Foreign Economic Relations and Trade (MOFERT; *Duiwai jingji maoyi bu* 对外经济贸易部). MOFERT was established in March 1982 through a merger of the Ministry of Foreign Economic Liaison (which had been in charge of foreign aid) and the Ministry of Foreign Trade (*Duiwai maoyi bu* 对外贸易部). The Minister of MOFERT, Chen Muhua, a protégée of Zhou Enlai, had been in charge of Chinese aid Africa since 1961, as member of the General Office of Foreign Economic Liaison (*Duiwai jingji lianluo zongju* 对外经济联络总局), reporting directly to Zhou (L. X. H. Lee and Stefanowska

2014, 74 ff.).⁹³ In addition to being the Minister of MOFERT, Chen simultaneously served as a Vice-Premier and later State Counsellor, the highest political position achieved by a woman in China until then.⁹⁴ Within MOFERT, Chen established a dedicated Department of Foreign Aid (*Duiwai yuanzhu si* 对外援助司), staffed with 100 people to manage foreign aid, whose task was to ensure the integration between aid and trade (Xiao Fenghuai 肖凤怀 2019). According to later reporting by the *Renmin Ribao*, she was a driving force in the design of the new foreign aid policy (Cui Baolin 崔宝林, Liu Jianguo 刘建国, and Wang Zhuanguo 王传国 2011).

The new foreign aid policy was introduced to the Chinese public in the *Renmin Ribao* on 20 September 1982, in an article headlined “Breaking New Ground in Foreign Economic Relations and Trade” (*Dakai duiwai jingji maoyi de xin jumian* 打开对外经济贸易的新局面) and authored by Chen Muhua (1982). In the article, foreign aid is discussed in the paragraph “Several Important Issues in Developing Foreign Economic and Trade Relations” (发展对外经济贸易关系的几个重要问题). The parts which resemble the discourse on Indian aid are marked in bold:

It is our unshakable internationalist duty to support the people of each country in the Third World in safeguarding their national independence, developing their national economies and in their just struggle against imperialist colonialism and hegemonism. This is a strategic issue that should not be taken lightly.

Our friendship with the Third World countries is sincere. Whether we conduct mutually beneficial co-operation or give aid, we strictly respect each other's sovereignty, do not attach any conditions, or ask for any privileges. We will consider both, **the other side's needs and our possibilities, and do more while spending less.** We will treat their affairs as our own, **actively train local talents**, and help them to move towards self-reliance gradually. In the future, in the process of China's own economic construction, we will continuously expand our friendly co-operation with the people and the countries of the Third World.

The economies of the Third World countries have developed a lot in recent years. All are carrying out large-scale economic construction. **We should take these changes into account when**

⁹³ During the Cultural Revolution, she was branded as a *zou zi pai* 走资派, “capitalist roader”, for suggesting that cadres dealing with foreign countries should learn English; but after her rehabilitation was first installed as Vice-Minister and from 1977 as Minister of Foreign Economic Liaison (L. X. H. Lee and Stefanowska 2014, 74 ff.).

⁹⁴ Chen served as MOFERT's Minister from 1982 to 1985 and continued to shape China's role in international development co-operation after that as the governor of the People's Bank of China (*Renmin yinhang* 人民银行, PBOC). In 1986, she managed China's accession to the Asian Development Bank (ADB) and subsequently served on its board; and later also on the board of the African Development Bank. During her tenure at MOFERT, China began to aid other developing countries via the United Nations Development Programme, sending trainers abroad and conducting training in China (L. X. H. Lee and Stefanowska 2014, 74 ff.).

offering them aid and adopt flexible and diverse ways [in how we aid]. For example, most of them have abundant resources. **We can engage in economic and technical co-operation and joint development according to their needs, which is very promising.** The co-operation between China and them is a “South-South Co-operation”; if this kind of co-operation can be developed, it will change the international economic order.

支援第三世界各国人民保卫民族独立、发展民族经济以及他们反对帝国主义、殖民主义和霸权主义的正义斗争，是我们不可推卸的国际主义义务。这是一个带有战略性质的问题，不能掉以轻心。

我们对待第三世界国家的友谊是真诚的。无论是进行互利合作还是提供援助，我们都严格尊重对方的主权，不附带任何条件，不要求任何特权。**从对方的需要和我方的可能出发，少花钱、多办事**，把他们的事当作我们自己的事来办，**积极培养当地人才**，使他们逐步走向自力更生。今后，随着我国经济建设的发展，我们将不断扩大同第三世界国家和人民的友好合作。

最近几年来，第三世界国家的经济有了很大的发展，他们都在进行大规模的经济建设。**向他们提供帮助的时候，就要考虑情况的变化，采取灵活多样的方式。**例如，他们大都拥有丰富的资源，**可以根据他们的需要，同他们开展经济技术合作，共同开发，这是大有可为的。**我们同他们之间的合作是“南南合作”，这种合作发展了，将会改变国际经济秩序。

(Chen Muhua 陈慕华 1982)

When China's Prime Minister Zhao Ziyang travelled to African countries between December 1982 to January 1983, he introduced the policy as the “Four Principles of Economic and Technical Co-operation” (RMRB 1983a; Beijing Review 1983b). (The Chen Muhua text does not name the policy explicitly as “Four Principles”, but a juxtaposition of the Chen and Zhao text like in Figure 2.1 shows the four principles embedded in Chen's text.) In the literature on Chinese aid, Zhao Ziyang's text is mostly known as “The Four Principles of Sino-African Economic and Technological Co-operation”. Zhao's proclamation omits the first paragraph of Chen Muhua's text, which describes foreign aid as a strategic issue and thus was probably not meant for external audiences. Instead, it provides examples for how the new foreign aid approach could look like, and these examples are almost congruent with the modes of Indian aid discussed in texts by Chinese policy researchers I have analysed above. The following transcript of the Four Principles was published in the *Renmin Ribao* on 15 January 1983 (RMRB 1983a); it is also the *master text* for the four principles, namely the official narrative, which is typically quoted in Chinese official but also academic texts. The English translation here is not my own, but the official translation in the *Beijing Review* (Beijing Review 1983b), as it is a known text. Like in Chen Muhua's text, I have marked those parts which resemble the discourse on Indian aid in bold:

Premier Zhao Ziyang declared [...] that “equality and mutual benefit, **stress on practical results, diversity in form** and achievement of common progress” are the four principles of China's economic and technological co-operation with African countries.

The four principles are:

1. In carrying out economic and technological co-operation with African countries, China abides by the principles of unity and friendship, equality and mutual benefit, respects their sovereignty, does not interfere in their internal affairs, attaches no political conditions and asks for no privileges whatsoever.

2. In China's economic and technological co-operation with African countries, full play will be given to the strong points and potentials of both sides based on their actual needs and possibilities, and efforts will be made to achieve good economic results with less investment, shorter construction cycle and quicker returns.

3. China's economic and technological co-operation with African countries takes a variety of forms suited to the local specific conditions, such as offering technical services, training technical and management personnel, engaging in scientific and technological exchanges, undertaking construction projects, entering into cooperative production and joint ventures. With regard to the cooperative projects it undertakes, the Chinese side will see to it that the signed contracts are observed, the quality of work guaranteed and stress laid on friendship. The experts and technical personnel dispatched by the Chinese side do not ask for special treatment.

4. The purpose of economic and technical co-operation between China and African countries is to complement each other's strengths and help each other, so as to **enhance the capability of both sides to be self-reliant and to promote the development of their respective national economies.**

赵紫阳总理今晚在这里举行的记者招待会上，宣布了中国同非洲国家开展经济技术合作的四项原则，并把它概括为“平等互利、**讲求实效**、形式多样、共同发展”四句话。

赵紫阳宣布的这四项原则是：

一、中国同非洲国家进行经济技术合作，遵循团结友好、平等互利的原则，尊重对方的主权，不干涉对方的内政，不附带任何政治条件，不要求任何特权。

二、中国同非洲国家进行经济技术合作，从双方的实际需要和可能条件出发，发挥各自的长处和潜力，力求投资少、工期短、收效快，俾能取得良好的经济效益。

三、中国同非洲国家进行经济技术合作，方式可以多种多样，因地制宜，包括提供技术服务、培训技术和管理人员、进行科学技术交流、承建工程、合作生产、合资经营等等。中国方面对所承担的合作项目负责守约、保质、重义。中国方面派出的专家和技术人员，不要求特殊的待遇。

四、中国同非洲国家进行经济技术合作，目的在于取长补短，互相帮助，**以利于增强双方自力更生的能力和促进各自民族经济的发展。**

On the next page, Figure 5 juxtaposes Chen Muhua's text and Zhao Ziyang's text to show the differences between internal (Chen) and external (Zhao) communication.

Figure 5 Juxtaposition of the Chen Muhua's and Zhao Ziyang's Texts

	Chen Muhua's Text	Zhao Ziyang's Text
MUTUAL BENEFIT 平等互利	Our friendship with the Third World countries is sincere. Whether we conduct mutually beneficial co-operation or give aid, we strictly respect each other's sovereignty, do not attach any conditions, or ask for any privileges. 我们对第三世界国家的友谊是真诚的。无论是进行互利合作还是提供援助，我们都严格尊重对方的主权，不附带任何条件，不要求任何特权。	China abides by the principles of unity and friendship, equality and mutual benefit, respects their sovereignty, does not interfere in their internal affairs, attaches no political conditions, or asks for any privileges. 遵循团结友好、平等互利的原则，尊重对方的主权，不干涉对方的内政，不附带任何政治条件，不要求任何特权。
PRACTICAL RESULTS 讲求实效	We will take both into account, the other side's needs and our possibilities, and do more while spending less. 从对方的需要和我方的可能出发，少花钱、多办事，[...]	Full play will be given to both sides' strong points and potentials based on their actual needs and possibilities, and efforts will be made to achieve good economic results with less investment, a shorter construction cycle and quicker returns. 从双方的实际需要和可能条件出发，发挥各自的长处和潜力，力求投资少、工期短、收效快，能取得良好的经济效益。
DIVERSITY OF FORMS 形式多样性	We will treat their affairs as our own, actively train local talents , and help them to move towards self-reliance gradually. In the future, in the process of China's own economic construction, we will continuously expand our friendly co-operation with the people and the countries of the Third World. The economies of the Third World countries have developed a lot in recent years. All are carrying out large-scale economic construction. We should take these changes into account when offering them aid and adopt flexible and diverse ways [in how we aid]. For example, most of them have abundant resources. We can engage in economic and technical co-operation and joint development according to their needs, which is very promising. [...] 把他们的事当作我们自己的事来办，积极培养当地人才，使他们逐步走向自力更生。今后，随着我国经济建设的发展，我们将不断扩大同第三世界国家和人民的友好合作。最近几年来，第三世界国家的经济有了很大的发展，他们都在进行大规模的经济建设。向他们提供帮助的时候，就要考虑情况的变化，采取灵活多样的方式。例如，他们大都拥有丰富的资源，可以根据他们的需要，同他们开展经济技术合作，共同开发，这是大有可为的。	The co-operation can take on a variety of forms suited to the local conditions, such as the provision of technical services, training for technical and management personnel, scientific and technological exchanges, construction projects, cooperative production and joint ventures. The Chinese side will be responsible for observing the contracts, guaranteeing quality and upholding value in the cooperative projects to which it commits and which it undertakes. The experts and technical personnel dispatched by the Chinese side will not ask for special treatment. 合作的方式可以多种多样，因地制宜，包括提供技术服务、培训技术和管理人员、进行科学技术交流、承建工程、合作生产、合资经营等，中国方面对所参与承担的合作项目负责守约、保质、重义，中国方面派出的专家和技术人员不要求特殊的待遇
COMMON DEVELOPMENT 共同发展	The co-operation between China and them is "South-South Co-operation" ; if this kind of co-operation can be developed, it will change the international economic order. 我们同他们之间的合作是“南南合作”，这种合作发展了，将会改变国际经济秩序。	The purpose of economic and technical co-operation between China and African countries is to complement each other's strengths and help each other, so as to enhance the capability of both sides to be self-reliant and to promote the development of their respective national economies. 双方合作的目的在于取长补短、相互帮助，以利于增强双方自力更生的能力和促进各自民族经济的发展。

Now, I will compare the new foreign aid policy of the “Four Principles of Economic and Technical Co-operation” as presented in Figure 2-1 with the Chinese debate on Indian aid: The first principle, “mutual benefit” in the Zhao Ziyang text – which corresponds to the first half of the second section in the Chen Muhua text, namely the passage “Whether we conduct mutually beneficial co-operation or give aid, we strictly respect each other's sovereignty, do not attach any conditions, or ask for any privileges.” (无论是进行互利合作还是提供援助, 我们都严格尊重对方的主权, 不附带任何条件, 不要求任何特权。) – is derived from the first two principles of Zhou Enlai’s “Eight Principles” of 1964⁹⁵ which in turn are a rephrasing of China’s foreign policy doctrine, the “Five Principles of Peaceful Coexistence”⁹⁶. The other three principles, “practical results”, “diversity of forms” and “common development”, represent the new economic shift.

The second principle, “practical results” (*jiangqiu shixiao* 讲求实效), is outlined in the Chen Muhua text as “considering the other side’s needs and our possibilities, and doing more while spending less” (从对方的需要和我方的可能出发, 少花钱、多办事), and in the Zhao Ziyang text as “giving full play to the strong points and potentials of both sides based on their actual needs and possibilities” (从双方的实际需要和可能条件出发, 发挥各自的长处和潜力) and “achieving good economic results with less investment, shorter construction cycle and quicker returns” (力求投资少、工期短、收效快, 俾能取得良好的经济效益). These formulations show clear parallels to the Chinese discourse on India. As outlined earlier, Chinese scholars highlighted that India achieved “quick and visible results” (易见成效) at a “comparatively cheaper costs” (收费较低廉) (Li Nan 李楠 1981); it tapped its potential by exporting “intermediate technologies” (中间技术) that met the needs of its partners because they were both, cheap and suitable for developing countries (Hua Biyun 华碧云 and Ma Jiali

⁹⁵ The first two principles of the Eight Principles are: (1) Equality and mutual benefit in providing aid to other countries. Aid is never regarded as a kind of unilateral alms but as something mutual. (2) Respect for the sovereignty of the recipient countries, without attaching any conditions or asking for any privileges. (See section 1.4.2)

⁹⁶ The Five Principles of Peaceful Coexistence are: mutual respect for territorial integrity and sovereignty, non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.

马加力 1983, 25); and unlike China in the past, India did not provide aid beyond its means (Hai Ping 海平 1982, 51).

The third principle, “diversity of forms”, is named but not (yet) specified in the Chen Muhua text, while the Zhao Ziyang text names specific forms, such as “offering technical services, training technical and management personnel, engaging in scientific and technological exchanges, undertaking construction projects, entering into cooperative production and joint ventures” (包括提供技术服务、培训技术和管理人员、进行科学技术交流、承建工程、合作生产、合资经营等等). If one contrasts the aid policy with the Chinese discourse on Indian aid, the parallels are striking. For example, the *Renmin Ribao* described the Indian approach in 1981 with the words “[India] is employing all kinds of diverse modes” (方式也是多种多样的) (Li Nan 李楠 1981). The modes that Chinese analysts highlighted as examples of diversity in forms were “joint ventures, contracted engineering projects, scientific and technical co-operation, [...] construction projects, [...] light industry technology and management technology” (除合营企业、承包工程、科技合作协定、[...] 工程所涉及的项目外, 小工业技术和管理技术) (Hua Biyun 华碧云 and Ma Jiali 马加力 1983, 27) or “technical advisory services” (技术咨询服务) (Li Nan 李楠 1981). This list of Indian examples is almost identical to the modes of co-operation proposed in the Zhao Ziyang text.

Finally, the fourth principle, “common development” – defined in Zhao’s text as to “promote the growth of the respective national economies by complementing and helping each other” (互相帮助, 以利于增强双方自力更生的能力和促进各自民族经济的发展), and in Chen’s text is linked to the discourse on South-South Co-operation – parallels the admiration of India’s ability to use aid to promote its exports. Specifically, Chinese analysts mentioned that “most of [Indian] aid is linked to its strategy of developing commodity exports” (这笔援助中, [...] 大部分都是与它的商品输出 - 发展出口的战略相联系) (He Chengjin 何承金 1981, 64); that “India strives to use foreign aid and economic co-operation as a way for its industry to go out” (印度把外援和经济合作作为其谋求工业出路) (Hai Ping 海平 1982, 51); or that India’s approach to foreign aid not only supported the economic development of recipient countries but also “served as a driver for the export of [India’s] domestic goods and capital” (带动了本国商品输出和资本输出) (Hua Biyun 华碧云 and Ma Jiali 马加力 1983, 28). China, which was in the process of selectively transforming ministries into SOEs or outsourced ministerial functions to new SOEs under the supervision of the parent ministry

(Johnston and Rudyak 2017, 436), apparently hoped to do the same and help them internationalise with foreign aid.⁹⁷

Given all these striking similarities, it is highly plausible that the Chinese leadership, seeking ways to reorient China's foreign aid in ways that made it less economically costly for China but still sufficient to maintain the level of relational security it deemed necessary to create a stable environment for China's economic growth, turned to India. As mentioned at the beginning of this exploration, there is no definite proof for this assumption, but the textual parallels and the statements by the Party Secretary Hu Yaobang and the analysts of Indian aid policy I quote here who argued that China should explore the foreign aid modes used by India are rather striking. It is not surprising that China did not mention its "Learning from India" given that the diplomatic relations had at that point just normalised.

On the other hand, I have also considered the possibility that China may have adapted elements from Japan. However, the archived literature on Japanese aid in *CAJ* concerns mostly Japan's aid to the Chinese. Apart from India and Japan, very few non-Western donors are mentioned at all. Therefore, I do not believe that China's recipient experience with Japan, which also employed a mutually beneficial aid approach, was already integrated into China's aid model at that time. This appears to happen only in the 1990s (see chapter 2.4).

What can be said for sure is that any of these were considered new approaches for China, which MOFERT internally assessed as experimental and potentially risky. This can be derived from an article written by Qian Guo'an 钱国安 (1984), the Deputy Director-General of MOFERT's Economic Co-operation Department (*Jingji gezuo si* 经济合作司), in MOFERT's inhouse journal *Guoji maoyi* 国际贸易 (*International Trade*). Qian expressed his worry that African countries may not accept a shift in aid policies (Qian Guo'an 钱国安 1984, 37). He wrote that in the past, China had "taken over all the responsibilities for [African countries]" (处处为他们着想) when undertaking economic construction; now it would have to decline aid project requests if they did not fit China's development needs and possibilities – and then, "we would have to explain to the recipient countries in a practical and truthful way [*exact wording*:

⁹⁷ For instance, the Ministry of State Farms and Land Reclamation, for example, established the China State Farms Corporation (*Zhongguo nongken (jituan) zonggongsi* 中国农垦(集团)总公司) under its own authority in 1980, delegating to it the implementation of agricultural aid projects (Tang Liwen 唐丽霞, Li Xiaoyun 李小云, and Qi Gubo 齐顾波 2014).

seeking truth from facts] that we either do not possess the required qualifications or are unable to implement [a project]” (对不具备建设条件或我方力不能及的事，实事求是地向受援国说明情况) (Qian Guo'an 钱国安 1984, 37). This was exacerbated by the fact that all the approaches proposed by Zhao Ziyang were new within China's aid portfolio. Qian wrote that “although some co-operation forms had been carried out in some African countries, so that there exists a certain basis, looking at Africa as a whole, it remains for China to work with African countries to explore and develop them” (有的合作方式虽然已经在一些非洲国家进行并有了一定的基础，但从非洲国家总体来看，尚有待我国同非洲国家一起来努力探索和发展) (Qian Guo'an 钱国安 1984, 37). The last sentence again indicates a possible link to India, which had been active in Africa through the Special Commonwealth African Assistance Plan (Dutt 1980, 672) – and thus Qian implies that it remained to be seen whether China would manage to explore the Indian approach successfully.

Finally, one aspect that had been highlighted by Chinese analysts of Indian aid but that did not make it into the new foreign aid strategy was foreign contract engineering (承包工程) and Indian SOE's success in winning co-operation projects tenders of the World Bank and other development banks. Apparently, Chinese leaders believed that Chinese SOEs were not ready yet to compete on international markets: Chen Muhua's text in the *Renmin Ribao* mentioned foreign contract engineering as something that “had the potential for further development” (具备了进一步发展), but at the same time she stressed that “China's capabilities in this respect are still small, and China is not familiar with the international market” (我们本领还不大,不熟悉国际行情) (Chen Muhua 陈慕华 1982). Nevertheless, she argued that because this area was extremely promising, “it must be vigorously developed” (必须大力发展) in the future.

2.3 Rhetoric and Reality: The Economic Shift that Did Not Happen

2.3.1 The Language of “South-South Co-operation” – More Than Just a Camouflage

As mentioned in the introduction to this chapter, the 1980s have not received much attention in the scholarship on China's foreign aid. reform era, the few instances were predominantly in the context of scholarship on China-Africa relations. Hereby, Chinese and Western scholars largely maintain that the “Four Principles of Economic and Technical Co-operation” represented a focus shift from the politically oriented aid of the 1960s and 1970s (which, as I have argued in chapter 1, can also be seen as motivated both by political *and* economic needs)

to use of aid to serve economic motives. Xu Weizhong 徐伟忠 (2007, 1), for example, a researcher with a focus on Africa at the intelligence service think tank CICIR, writes that “as China shifted the focus of its economic work to economic transformation, it adjusted its aid to Africa and changed its past practice of focusing mainly on serving politics” (随着中国把经济工作的重心向经济转移,改变了过去对外援助主要为政治服务的作法,鼓励发展中国家把发展经济作为国家发展战略的核心). Similarly, Cheng Zhangxi, a researcher at CASS-IWEP (whose father and grandfather were Chinese diplomats in Africa) writes in a co-authored book with Ian Taylor that China’s interactions with Africa were dominated by “China’s concern for its own economic involvement [...] which obviously influenced the amount of aid given to African countries (Cheng and Taylor 2017, 37). Zhang Qingmin 张清敏 (2015, 56), professor at the Peking University School of International Studies (*Beijing daxue guoji guanxi xuanyuan* 北京大学国际关系学院), speaks of the “shift in direction of China’s policy to focus on economic links and attendant benefits with developing countries”.

Scholars outside China have followed the economic shift narrative, though they diverge in how to assess the economic shift and China’s language of South-South Co-operation. Philip Snow (1995) and Ian Taylor (1998, 2006) saw in China’s announcement to reduce aid a sign that developing countries, and Africa in particular, had lost their importance to China. Snow (1995, 306) argued that the rhetoric of “South-South Co-operation” was just a “camouflage” for China to retreat from past aid commitments and to make Africa take over the costs for ongoing projects. Taylor (1998, 443, 2006, 54–60) similarly described Chinese officials’ talking about “South-South Co-operation” as a “rhetorical lip service”, saying that Beijing may have re-emphasised its commitment to the developing world after 1978, but was mainly interested in maintaining cordial relations with the powers from which it could benefit economically – and these were first and foremost the U.S. and Japan. For Taylor, this was also the reason why after the Africa-visits of Premier Zhao Ziyang in 1982 and Vice-Premier Li Peng 李鹏 (1928-2019) in 1984, there were no further high-level visits to Africa until after Tian’anmen (Taylor 1998, 445). George T. Yu (1988), who directed a Ford Foundation-funded programme to train a new generation of Chinese Africa scholars after 1982, retained an opposite perspective: for him, Africa had assumed a leading role in China’s foreign policy after 1980 (Yu 1988, 858). The envisioned shift from large-scale aid projects to mutually beneficial “co-operative projects and joint ventures”, he argued, was a way to balance the dilemma

between limited domestic resources which were in high internal demand on the one hand, and the aspirations to be a world power and global interests on the other (ibid.).

As I have explained in 2.1.1, neither aid giving nor the developing countries had become less important to China in the 1980s. Building on this, I would like to complicate the picture further by arguing that the Chinese leadership largely failed to realise the goal of generating economic benefits for China with aid, and that apparently the perceived need for relational security thwarted any real economic shift.

To begin with, if the rhetoric of “South-South Co-operation” was just a “camouflage”, used in interaction with African countries to deflect attention from the reduction of foreign aid volumes, why then did it occupy a prominent place in China’s domestic discourse – one that was led in Chinese and was not translated for an international audience? To me, this does not match. In fact, the new “Third World” policy, which Party Secretary Hu Yaobang announced (1982b) at the 12th Party Congress, largely employed the language of the Non-Aligned Movement. Moreover, as I show in Figure 6, Hu’s speech apparently adopted the main points of the “Buenos Aires Plan of Action for Promoting and Implementing Technical Co-operation among Developing Countries” (BAPA) (*Buenos Aires Plan of Action* 1978). The BAPA declaration was the outcome of a process that started in the mid-1970s and called for increased “South-South Co-operation” and a “New International Economic Order”. Since the mid-1970, countries of the Non-Aligned Movement had argued that it had proven impossible to reduce development gaps and achieve a balanced international development under the existing international economic order (“General Assembly Declaration on the Establishment of a New International Economic Order” 1974).⁹⁸ This culminated in the United Nations Conference on Technical Co-operation among Developing Countries (TCDC) in Buenos Aires of 1978, which passed the BAPA declaration and started the institutionalization of South-South Co-operation in the United Nations.

⁹⁸ The call had been first raised by the countries of the Non-Aligned Movement at their fourth conference in Algiers in 1973 and adopted as a declaration during the Special Session on the UNGA in April 1974 (that same session, where Deng Xiaoping spoke before the UN for the first time and presented Mao’s “Three Worlds Theory”). The resolution demanded more co-operation among the developing countries and support from developed countries as “it has proved impossible to achieve an even and balanced development of the international community under the existing international economic order”. For a detailed analysis of the declaration, see C. Clyde Ferguson (1977), “The Politics of the New International Economic Order.”

Figure 6 Juxtaposition BAPA 1978 and China's Third World Strategy 1982

BAPA 1978	China's new Third World Strategy 1982	
<p>[...] the countries of the developing world have made their call for the new international economic order as an expression of their political will and their determination, based on the principles of national and collective self-reliance, to work towards a new pattern of international relations more appropriate to the real circumstances and reflecting fully the interests of the world community as a whole.</p>	<p>The biggest common tasks faced by the Third World countries are to safeguard national independence and national sovereignty, to actively develop their national economies, and to use economic independence to consolidate the achieved political independence.</p>	<p>第三世界各国面临的共同任务首先是维护民族独立和国家主权，积极发展民族经济，以经济独立来巩固已经取得的政治独立。</p>
<p>In this historic new stage of progress towards the attainment of the new international economic order, technical co-operation among developing countries (TCDC) is becoming a critically important dimension. It is a means of building communication and of promoting wider and more effective co-operation among developing countries. It is a vital force for initiating, designing, organizing and promoting co-operation among developing countries so that they can create, acquire, adapt, transfer and pool knowledge and experience for their mutual benefit and for achieving national and collective self-reliance, which are essential for their social and economic development.</p>	<p>In this, mutual assistance among Third World countries is particularly important. The Third World countries have vast lands, big populations, abundant resources and huge markets. Some of the countries in our midst have accumulated considerable amount of funds, many countries have unique technologies, and most have experiences in developing their national economy to share. Our economic cooperation, which is also referred to as "South-South Cooperation", has been as effective in the application of certain technologies and equipment as the economic cooperation with developing countries. This kind of cooperation can help to break through the existing inequalities in the international economic relations and to establish a new international economic order, which is of great strategic significance.</p>	<p>在这方面，第三世界各国之间的相互援助具有特别重要的意义。第三世界各国拥有广大的土地，众多的人口，丰富的资源，广阔的市场。我们中间有的国家积累了相当数量的资金，许多国家拥有各具特色的技术，在发展中国家经济方面也大都都有自己的经验可供别国借鉴。我们之间的经济合作，也就是通常所说的“南南合作”，就是一部分技术和设备的适用对路而言，其成效往往不亚于同发达国家的合作。这种合作有助于冲破现存不平等的国际经济关系和建立国际经济新秩序，具有伟大的战略意义。</p>
<p>TCDC as well as other forms of co-operation among all countries must be based on strict observance of national sovereignty, economic independence, equal rights and non-interference in domestic affairs of nations, irrespective of their size, level of development and social and economic systems.</p>	<p>China is still a developing country, but we have always tried to help the Third World countries that share our destiny. [...] China's friendship with the Third World countries is sincere, no matter whether it conducts mutually beneficial cooperation or give aid. China always respect the other's sovereignty, does not impose any conditions, and does not request any special rights.</p>	<p>中国还是一个发展中国家，但是我们一贯尽力援助与我们共命运、同呼吸的第三世界各国。[...] 无论是进行互利合作还是提供援助，我们都严格尊重对方的主权，从不附带任何条件，不要求任何特权。</p>

BAPA called for a “new international economic order” and a “new pattern of international relations [...] reflecting fully the interests of the world community as a whole”; Hu Yaobang spoke of “breaking through the existing inequalities in the international economic relations and establishing a new international economic order” (冲破现存不平等的国际经济关系和建立国际经济新秩序). BAPA highlighted “achieving national and collective self-reliance”; Hu highlighted the need to “safeguard national independence and national sovereignty [...] and to use economic independence to consolidate the achieved political independence” (维护民族独立和国家主权[...]以经济独立来巩固已经取得的政治独立). BAPA stressed that in order to achieve the new international economic order, “technical co-operation among developing countries is becoming a critically important dimension”; Hu stressed that “mutual assistance among Third World countries [was] particularly important” (第三世界各国之间的相互援助具有特别重要的意义). BAPA highlighted the need for horizontal knowledge sharing, knowledge creation and knowledge pooling – for mutual benefit; Hu stressed the vast resources and markets of developing countries and indigenous technologies and development lessons that could be shared. BAPA, implicitly referencing the developed countries, called for “strict observance of national sovereignty, economic independence, equal rights and non-interference in domestic affairs of nations”; Hu said that “China always respect the other’s sovereignty, does not impose any conditions, and does not request any special rights” (我们都严格尊重对方的主权, 从不附带任何条件, 不要求任何特权).

The BAPA language was similarly present in the new foreign aid policy itself. When presenting the new foreign aid policy in the *Renmin Ribao* (*People’s Daily*), Chen Muhua wrote that “South-South Co-operation” had the potential to change the international economic order. This was also reflected in Zhao Ziyang’s presentation of the “Four Principles” during his Africa tour in December 1982 and January 1983, where Zhou spoke about “economic and technical co-operation” and “South-South Co-operation” that could help all of the Third World Countries “to change the unfair and unreasonable old international economic order” (Beijing Review 1983a, 18–19). Finally, the BAPA language was also employed by Zhao Ziyang at the Second South-South Co-operation Conference held in Beijing in April 1983; there, he said that China was ready to join other Third World countries in uniting for a common endeavour to bring into effect the Declaration and Programme of Action on the Establishment of a New International Economic Order and the promotion of South-South Co-operation (Beijing Review 1983c, 2). In sum, similarly to Zhou Enlai’s calls for non-conditional aid in the 1950s

that echoed calls for non-conditional aid from newly independent countries in the UN, China's new Third World policy in the 1980s repeated the calls by developing countries for a New International Economic Order and South-South Co-operation. To dismiss it as "just rhetoric" ignores the place that it occupied in the domestic discourse and thus the fact that – as I will show in the next section – it informed China's foreign policy and had an impact on concrete actions in this field.

2.3.2 Strategy and Politics Trumped Economy

In addition to the domestic use of South-South Co-operation language and despite the earlier discussions that foreign aid should be mutually beneficial in economic terms (chapter 2.1.2), at the National Foreign Aid Work Conference (*Quanguo yuanywai gongzuo huiyi* 全国援外工作会议) on 27 September 1983, Premier Zhao Ziyang (1983b) strongly stressed the political significance of foreign aid in his address to the delegates. The conference took place after Zhao's visit to Africa, which raises the question of whether the visit led to a reiteration of the political versus economic factors in maintaining relational security. The consensus remained that China needed to spend less, but Zhao dunned delegates to "strive to achieve the best political and economic results with limited foreign aid funds" (用有限的援外资金, 力求取得最好的政治以昂想和经济效果) (Zhao Ziyang 趙紫陽 1983b, 189). His speech barely mentioned economic benefits for China. Instead, he went to great lengths to stress the importance of funding projects that were less costly but had a benefit for all recipients while being politically beneficial for China.

Pay attention to the training of personnel. This is not much money, but it is of great significance. If we train people, they will be naturally friendly to China. [...] The third world cannot do without talents. [...] In the future, it should be made clear that our foreign aid funds are not only for things and turn-key projects; you must include the training of personnel. [...]

[...] Note to medical teams: if we spend a few more hundred thousand yuan on that, we can help the people in the Third World to solve a big problem, this is much more useful than if you build a factory for them.

[...] In the future, we can build some conference halls, culture palaces, stadiums, and gymnasiums, but don't build them too big. Now, we mostly build them too big. In some places, the stadiums can house one-tenth of the national population. Why build them so big? Of course, they ask us to build bigger, but the initiative is all in our hands. Make them a little smaller; it will be faster and also easier to manage. [...] If we help people carry out cultural and sports activities, the political impact will also be good.

要注意培训人员, 这件事还钱不多, 意义很大。我们培训人员, 他们自然对中国友好一些[。] 第三世界没有人才是不行的。[...] 今后要明确我们援外经费不是专门搞物的、搞成套项目的, 要包括培训人员在内。[...]

[...]谈到医疗队的问题。我们如果多拿出几十万元，就可以帮助第三世界的人民解决很大的问题，比你给他该工厂作用大。

[...]将来，会堂、文化宫、体育场、体育馆可以搞一些，但不要搞那么大。现在我们搞得一般偏大，有的地方一个体育管可以容纳全国人口的十分之一，何以搞那么大呢？当然，他们要求搞大的，但是这个主动全在我们手里。搞得小一点，可以快一些，也便于管理。[...]对人民开展文化、体育运动有帮助，政治影响也好。

As can be seen in the above passage, Zhao talked about the training of personnel, medical teams and the construction of landmark projects – none of which generates economic profits but would be beneficial in political terms. He did not mention the development of new joint production capacities or how aid could potentially support Chinese exports. The economic shift in his speech manifested only in terms of “spending less”, he did not specifically stress capitalising on giving aid in a similar way as did Hu Yaobang in his elaborations on “How to support the Third World correctly?” in 1980 (chapter 2.1.) Rather, he briefly and generally mentioned forms of economic co-operation, but also urged the delegates to understand running enterprises and contractor construction through the lens of “internationalism” (Zhao Ziyang 趙紫陽 1983b, 188):

If you look at this issue from a dialectical point of view, you can't say that if you want to focus on foreign aid, you need more money. Foreign aid is our duty, contracted construction is one form of it, another form is if we set up enterprises abroad, and then there are our economic aid projects – all of these are internationalist obligations we are bound by.

要用辩证的观点看这个问题，不能说重视对外援助，就多要钱。对外援助是我们应尽的义务，承包是一种形式，我们到国外办企业是一种形式，还有就是经援项目，这都是我们应尽的国际主义义务。

Zhao did mention joint-ventures, but rather as something to be explored in the future, and not only with governments but also with the private sector (Zhao Ziyang 趙紫陽 1983b, 188). His main concern, however, was for Chinese foreign aid projects to deliver good quality in spite of decreasing aid funds – and the related admonishments took up about one-third of his speech:

[...] Now we have the question of how do we make better use of less money. If you have a lot of money, it's easier to do things, but if you don't use it properly, it's no good either. [...] Less money also doesn't mean that you can't do something well. The less money, the better you should use it. You have to be clear about this. When there is less money, you must use it well and do a good job. If you have a lot of money, it doesn't matter if you lack something else; for one good deed, a hundred ill deeds will be overlooked.

Now, we cannot provide more money for foreign aid. But even if there is not much money, foreign aid work must be done well. The less money you have, the more enthusiastic and responsible you must be; this is very important. If there is little money, and people are loose and don't pay attention, then of course, the results will be very bad. The less money you have, the

more you must pay attention, the better you must do your job, the more enthusiastic you must be. This is what is called acting according to one's ability and striving to do your best. According to one's ability refers to money; striving to do your best refers to the spirit. The material conditions have changed, and we don't have that much, but the spirit must not change. The spirit of carrying forward internationalism and helping the people of the Third World must not change.

[...] Of course, with the improvement of our national economy, the amount of our aid will have some increase. But this must not lead to the view that aiding the Third World countries is not our internationalist duty but something optional. That's not the way to look at it. We are a socialist country. We may be poor, but we are a big country. We have the responsibility and the obligation to provide some assistance to the Third World within our capabilities. This is the nature of our country. [...]

All departments must actively undertake the central government's foreign aid tasks; these are political tasks. [...]

You must do well in what you can do. It should not happen that you don't do it well. Otherwise, people will say that China has changed, that it's not so keen [anymore] on its Third World friends. We should do things well for the Third World. Now there is less money, but the enthusiasm must not wane, and the spirit must not be weakened. It must be clear to everybody that foreign aid tasks are political tasks.

[...] 现在有一个钱少了如何用得好一点的问题。钱多固然好办事，但用不好也不一定都好。[...] 钱少一些也不一定就搞不好，越是钱少越要搞好，要讲清楚这个道理。钱少了一定要用好、办好。钱多了嘛，你别的差一点也不要紧，一好遮百丑。

现在，要拿出更多的钱去搞援外是不可能的，但即使钱不多，也要把援外工作搞好。钱越少越要热心，越要负责任，这一点很重要。如果钱少了，人也松了，不重视了，那个事情的结果肯定会很坏。钱越少越要重视，越要搞好，越要热心，这就叫量力而行，努力搞好。量力而行是指钱，努力搞好是精神。要有这么一种精神。物质条件是变了，没有那么多东西了，精神不能变，发扬国际主义，帮助第三世界人民的精神不能变。

[...] 当然，随着我们国民经济的好转，我们的援助数额会增加一些。但绝不能因此就认为援助第三世界国家不是我们应尽的国际主义义务，是可有可无的。绝不能这样看。我们是个社会主义国家，虽然穷，但是个大国，我们有责任、有义务在力所能及的范围内向第三世界提供一些援助，这是我们国家的性质所决定的。 [...]

各部门一定要积极承贷中央确定援外任务，折射个政治任务。 [...]

能过做的事，我们必须做好，做不好就不应该，那确实人家就会说你中国变了，对第三世界朋友不热心了。我们为第三世界办点好事，钱少了，热心不能减退，这种精神不能减弱，一定要说清楚，援外任务是个政治任务。

About one-third of Zhao Ziyang's speech was devoted to making the delegates of the National Foreign Aid Work Conference understand that foreign aid was a political task. Again and again, he stressed that now that China had less money to spend on aid, it had all the more to deliver good results. Zhao's insistence that the "spirit" (*jingshen* 精神) of Third World solidarity must be upheld and that good foreign aid is essential for maintaining good relations with the Third

World is, for me, another counter-argument against the assumption that developing countries have lost their importance for the Chinese leadership.

The same must be said for Africa, specifically, which was the only geographic region mentioned in Zhao's speech:

The impact of my visit to Africa has been very profound. The impression African friends have of Chinese people is very good. [...] Whatever happens, we must not spoil this. Now, whether our medical teams, construction teams and staff abroad are sincere in serving the people there, whether they really regard the African people as our brothers, this is a matter of great importance. Our foreign aid tasks will not be many in the future, but they are directly related to our country's reputation and our country's image. Everybody should bear this in mind and bravely fulfil their duties.

这次我去非洲访问，对这点影响非常深刻。非洲朋友对中国人的影响特别好。[...] 我们无论如何不要在这个问题搞坏。现在，我们在国外的医疗队、施工队伍和工作人员，是否真心诚意为那里的人民服务，是否真正的把非洲人民当成自己的兄弟，这个问题和重要。

今后援外任务不算很多，但是关系甚大，关系到我们国家的荣誉，关系到国家的形象，大家要以大局为重，要勇于承担。

Africa, Zhao argued, had a positive image of China, and China should use its foreign aid to make sure it stayed that way. Yan Xuetong 阎学通 (1987), then a research fellow at Tsinghua University and today one of China's leading foreign policy experts, stated in 1987 that Africa was of particular strategic importance for China from a relational perspective. The reason being, according to Yan, that China still had unresolved conflicts with its neighbours, "friendly [meaning: diplomatic] relations" (友好关系) with Latin-American countries had only been established recently, and therefore Africa remained China's main support in the Third World (p. 54). Therefore, the further development of Sino-African relations was of both strategic and economic importance in the long run. Yet, unlike France or UK, China had a shorter history of relations with African countries and was also not in a position to provide large amounts of economic aid in a short period of time – which is why China needed to invest in the further development of China-Africa relations. Otherwise, China's future position and influence in Africa could not be guaranteed.

2.3.3 China Was Not "Spending Less"

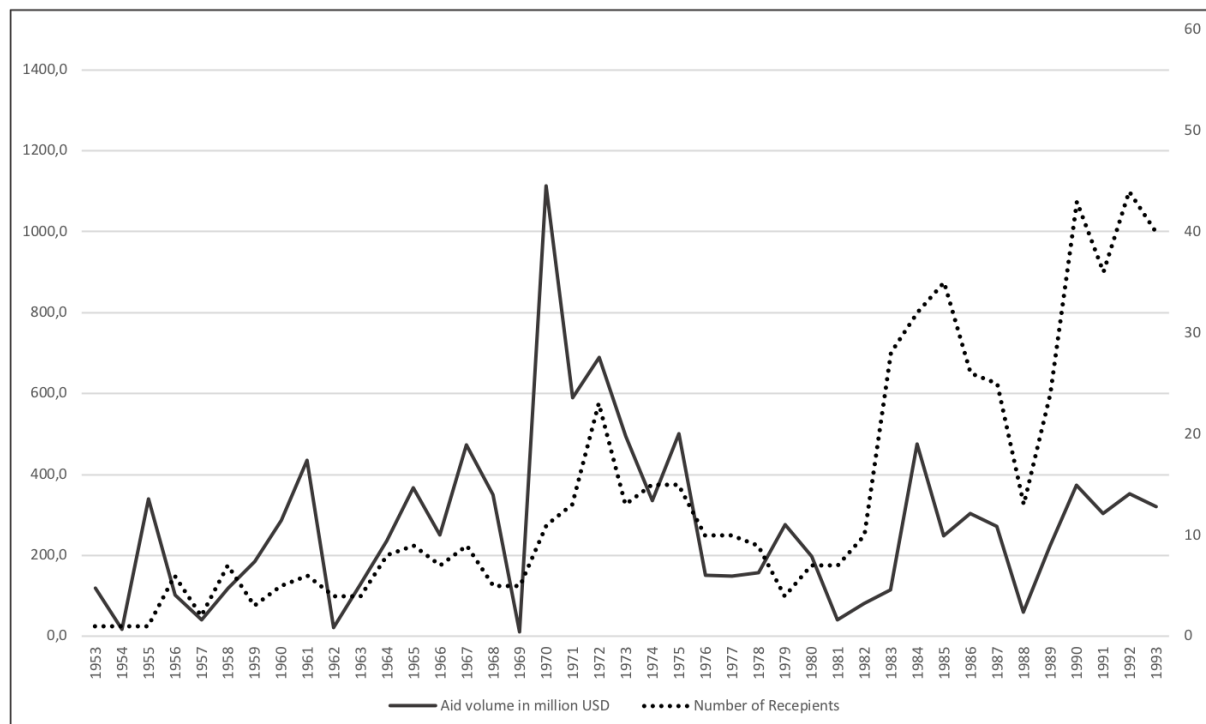
The assumption that China's call for South-South co-operation in the 1980s was only rhetorical is based not only on Chinese announcements to reduce aid, but also on the figures available at the time. Taylor (1998, 444), for example, based his argument that the importance of Africa to China was declining on figures provided by Wolfgang Bartke (1992, 8–9), which

showed a decline after 1981. Later figures by Kobayashi Takaaki (2008) – which are based on combined data from the *Zhongguo jinrong nianpu* 中国金融年鉴 (*China Finance Yearbook*) and Lin Teh-chang’s (1996) statistics that were derived from the *Zhongguo duiwai jingji maoyi nianjian* 中国对外经济贸易年间 (*Almanac of China’s Foreign Economic Relations and Trade*) – disproved earlier assumptions. Kobayashi showed that despite the announcements to reduce aid spending and despite the announcements of a shift to economically mutually beneficial and a lesser amount of aid, there was no significant traceably decline in aid spending (2008, 5). As Figure 7, which is based on data on aid volumes from Kobayashi and the number of aid recipients from my own work with Andreas Fuchs (Fuchs and Rudyak 2019, 396)⁹⁹, shows, aid volumes had been steadily rising since 1981 and spiked in 1984 when Li Peng visited Africa; the same was true for the number of aid recipients. After 1984, both indeed again declined, but neither declined to the pre-1981 level. Deborah Brautigam (2009, 54) pointed out that although China was on the World Bank’s list of the world’s poorest countries (it graduated from the LDC list only in 1999), according to OECD statistics, it was the eighth-largest bilateral donor in Sub-Saharan Africa in 1984, and gave about as much aid as Norway and not much less than Japan or the United Kingdom.¹⁰⁰ She argues that this “gave China a steady presence, credibility, and a strong foundation that Beijing would build on in the years after 1995” (Brautigam 2009, 54).

⁹⁹ The number of recipients was derived from Lin (1996) and Dreher et al. (2017).

¹⁰⁰ Brautigam adds here that China’s aid commitments to developing countries in 1984, as estimated by the OECD, were 289 million US-Dollar. (Source: OECD, “The Aid Program of China,” Paris, W.2196D/Arch.0792D 3434, Paris, March 1987, p. 8. This excluded debt relief, scholarships, and medical teams.).

Figure 7 Chinese Aid Volumes and Number of Aid Recipients (1953-1993)



Source: Own figure with data from Kobayashi (2008) for aid volumes, and Fuchs and Rudyak (2019) for the number of aid recipients

When aid policymakers at MOFERT and researchers at its subordinate think tank, the Chinese Academy of International Trade and Economic Co-operation (CAITEC; *Guoji maoyi jingji hezuo yanjiuyuan* 国际贸易经济合作研究院) began to assess the foreign aid policies of the 1980s in the early 1990s, they had to conclude that China had failed to use foreign aid to support the reform agenda (which is what the Chinese leadership had envisioned in the early 1980s). On the contrary, aid projects generated unexpected costs. Initially, writes CAITEC's Qi Guoqiang 齐国强¹⁰¹ (1992, 52), China was hoping to reduce aid spending by facilitating the economic sustainability of projects started during the Mao era. It provided follow-up funds to recipient countries to repair and finish turn-key projects and dispatched technical experts (ibid., see also Fan Huifang 范惠方 1992, 30). Some projects, he argues, became profitable.

¹⁰¹ Qi Guoqiang had served at the United Nations Industrial Development Organization (UNIDO) and in the Chinese embassy in Gambia from 1986 to 1990. From 1993 on, he was the editor-in-chief of CAITEC's journal *Guoji jingji hezuo* 国际经济合作 (*International Economic Co-operation*) and later served as CAITEC's Vice-President (RMRB 2001).

The majority, however, did not. Qi writes that with time, it became apparent that “projects needed continuous investments, while their effectiveness was declining, which meant that they became ever more dependent on continuous follow-up assistance” (项目所需的新投资有增无减, 项目效益日趋下降, 对后续援助的依赖性愈益加深) (Qi Guoqiang 齐国强 1992, 52). Xue Hong 薛宏 (1993, 52), like Qi Guoqiang researcher at CAITEC, argues that in trying to save projects, China experimented with different forms of co-operation in different countries, including the provision of technical training for local personnel, which was termed as “technical co-operation” (技术合作技术合作), but also cooperative management (管理合作) of projects, fiduciary management (代管经营), leasing (租赁经营) and joint ventures (合资经营). According to Fan Huifang 范惠方 (1992, 30) of the China Complete National Compete Plant Export Corporation (*Chengtai shibei chukou gongsi* 成套设备出口公司, COMPLANT), the aid project implementing agency under MOFERT, the reason for the failure was that many of the processing projects receiving Chinese aid struggled with outdated technology, low production capacities and poor management. They could only be sustained by the continuous provision of Chinese foreign aid loans and subsidies from host country governments. As for the loans – which were either interest-free or low-interest loans – Fan writes, there was “little prospect that they would be repaid” (基本不能回收) (ibid). Subsequently, China tried to reduce the long-term economic burden without alienating the recipient country governments, particularly in Africa, by reducing the number of processing projects; instead, it started to increasingly commit to building “social facilities” (社会设施) – office buildings, conference halls and stadiums – as suggested by Zhao Ziyang (Xue Hong 薛宏 1993, 52–53). But these, too, did not generate any economic benefits and, in the end, turned out to be costly in maintenance. The following excerpt from a 1994 article in CAITEC’s journal *Guoji jingji hezu* 国际经济合作 (*International Economic Co-operation*), authored by the Deputy Director-General of Department of Foreign Aid, Wang Cheng’an 王成安 (1994, 62), represents the official assessment of the foreign aid policy of the 1980s:

Speaking of the structure of Chinese foreign aid projects, the proportion of productive projects was relatively large for a pretty long period, and these projects usually achieved good results in the initial stages. However, due to the recipient countries’ lack of management experience and skilled personnel, economic efficiency gradually decreased. To mitigate this, China, in consultation with recipient countries, adopted ways like technical co-operation, management co-operation, fiduciary management and lease management in order to improve the results of these projects. But some projects still turned out to be far from ideal. China also responded to the requests of recipient countries to construct prestigious public projects like stadiums or assembly

halls. Building too many projects of that kind is also not good; the maintenance costs are relatively high, and some are not really much in use.

就我国对外援助项目结构而言，在相当长的一段时期里，生产性项目所占的比重比较大。这些项目建成初期一般都取得了较好的成效。但是由于受援国却反管理经验和技術人才，经济效益逐渐下降。为此，我国同受援国协商，采取了技术合作、管理合作、代管经营、租赁经营等方式来巩固这些项目的援建成果，但有些项目仍然不尽理想。我国还应受援国眼球援建了一批体育场馆、会堂等社会公共项目。这种项目建多了也不行，维修保养费用较大，有的利用率也不高。

The above passage by Wang Cheng'an shows how the Chinese government tried to save projects and respond to the request of the recipients in a way that obviously contradicted the decisions of the early 1980s. As outlined earlier in this chapter, MOFERT had set out the policy that China would not “take over all the responsibilities for [African countries]” (处处为他们着想) when undertaking economic construction; and that it planned to decline aid project requests if they did not fit China's development needs and possibilities (Qian Guo'an 钱国安 1984, 37). Back then, the Deputy Director-General of MOFERT's Economic Co-operation Department Qian Guo'an cautioned that China might end up in a situation when “it would have to explain to the recipient countries in a practical and truthful way [*exact wording: seeking truth from facts*] that we either do not possess the required qualifications or are unable to implement [a project]” (对不具备建设条件或我方力不能及的事，实事求是地向受援国说明情况) (ibid.).

How to explain that China did not follow through with its plan to create a more balanced economic benefit through “doing more while spending less”? My hypothesis leads me back to the relational argument made at the beginning of this chapter. When the new foreign aid policy was passed in September 1982, MOFERT had made clear that it was an experimental policy, which would require joint “exploration and development” (探索和发展) (Qian Guo'an 钱国安 1984, 37). It appears that in the experimental process, China prioritised relational security over economic gains in the end. For Africa, which received the largest part of Chinese foreign aid, this can be explained through the lens of *Relational Theory* with the ascribed status of an “all-weather friend” (全天候朋友). The term “all-weather friendship” (全天候友谊) was first coined by Zambia's first president Kenneth Kaunda in 1964 and was prominently re-introduced by Zhao Ziyang during his trip to Africa (RMRB 1983b, 1983c); it then became *tifa* to describe China's relationship with Africa (see e.g. Cheng and Taylor 2017). Qin Yaqing explains in *A Relational Theory of World Politics* that China rates the *significance* of its relationships with other countries in terms of *intimacy* and *importance* (Qin Yaqing 2018, 211 ff.). It defines the

degree of intimacy in terms of “partners, strategic partners, comprehensive strategic partners, and all-weather strategic partners”, and its actions will depend on the type of relationship (ibid., p. 217). Importance, on the other hand, is typically defined in terms of power; the U.S. is, therefore, the most important relationship, though certainly not the most intimate one. The degrees of intimacy and importance determine a country’s *relational rationality*, namely the pursuit of self-interest that is “shared, defined, and gained through social relations”. Relational theory argues that the more intimate a relationship is, the more both sides will tend to cooperate with each other – and an intimate relationship is always better (p. 232). Of the partnership degrees listed by Qin, “all-weather” is the most intimate one. It is evident that in the 1980s, the Chinese government considered it *relationally rational* to continue giving foreign aid in a way that was economically disadvantageous (or irrational). The shift Chinese leaders had envisioned in the early 1980s finally happened a decade later – and it was triggered by China’s renewed international economic isolation after the violent crackdown of student protests at the Tian’anmen square on 4 June 1989.

2.4 It Takes a Crisis to Make a Reform: Tian’anmen and the Road to the Aid-Trade-Investment Trinity

2.4.1 The Tian’anmen Moment and Structural Adjustment Policies as Triggers of Reform

After Tian’anmen, Western European countries, the U.S. and Japan responded with economic sanctions. As in the 1950s, foreign aid once again became an instrument to counter international isolation by strengthening relations with developing countries. In 1989, China’s foreign aid commitments almost quadrupled as compared to the previous year, jumping from 60.4 million US-Dollar in 1988 to 223.5 million US-Dollar in 1989; and further to 374.6 million US-Dollar in 1990 (Kobayashi 2008, 5); the number of aid recipients doubled between 1989 and 1990 (Fuchs and Rudyak 2019, 397) (see Fig. 2-3 in section 2.3.3). Though the total volume of aid commitments did not reach the earlier peaks of 1970 (before China’s UN accession) and 1984 (Zhao Ziyang’s visit to Africa), the total number of recipients was the highest in the history of Chinese aid so far – showing that China was trying to reach as many countries as possible.

In addition to the post-Tian’anmen economic sanctions, the sharp increase in aid was also driven by a renewed competition with Taiwan for the favour of developing countries. After the lifting of martial law in 1987, Taiwan was undergoing a peaceful democratic transition. It began to invest in regaining international recognition by trying to revive its foreign aid program

in previously friendly countries (W.-C. Lee 1993, 46; Brautigam 2009, 67). Therefore, for China, foreign aid again became a tool for safeguarding its international status – a strategy that proved to be successful: when Taiwan attempted to re-enter the UN in September 1993, all countries that voted against it, except for Russia, India and Slovakia, were recipients of Chinese aid in the early 1990s (Fuchs and Rudyak 2019, 396; Lin 1996, 53–54).

Western commentaries sometimes refer to the increase in aid after Tian'anmen as a “cheap” way for China to buy political support (see e.g. Taylor 1998, 50). In China, these costs were not considered cheap. On the contrary, MOFERT was worried about how China could better leverage its limited foreign aid funds, as it now had to spend more than in the past to secure political support from developing countries. Fan Huifang (1992, 30) of MOFERT's subordinate aid project construction agency COMPLANT, for example, writes that the financial resources China needed to invest “in order to strengthen and develop its economic co-operation and friendly relations with the Third World countries [...] were insignificant for developed countries, but constituted a considerable expense for China” (为加强和发展与第三世界国家的经济合作和友好关系[...]其数额与发达国家相比虽微不足道,但对我国来说则相当可观).

It appears that the post-Tian'anmen sanctions, paired with Taiwan's attempt to regain international recognition, served as a trigger to finally confront the failed foreign aid reform attempt of the 1980s. This can be derived from articles in CAITEC's journal *Guoji jingji hezuo* (*International Economic Co-operation*), which served as a platform and a discussion forum for policymakers and researchers within the MOFERT system (such as ministerial departments, CAITEC or COMPLANT). On the one hand, China's policymakers apparently believed that the globally declining development assistance flows from DAC countries – CAITEC highlighted that assistance to Africa had dropped by 19.6 per cent between 1981 and 1989 (Cai Lingming 蔡玲明 1992, 35–36) – created a chance for China to present its increase in aid as stepping in when the West was withdrawing. On the other hand, MOFERT was apparently concerned about the impact of neo-liberal Structural Adjustment Programs (SAPs) of the IMF and the World Bank in recipient countries (Fan Huifang 范惠方 1992, 30; Qi Guoqiang 齐国强 1992, 52). Initiated after the debt crisis of the late 1970s, the SAPs required recipient countries to privatise state-owned industries and resources, aiming to increase efficiency and

investment and decrease state spending (Shirley 1992).¹⁰² The privatisation trend increasingly affected Chinese-aided projects, which according to CAITEC's Qi Guoqiang (1992, 52), raised the question of how to “ensure that the results of China's economic aid will not be lost due to the privatisation policies of recipient countries” (确保我经援成果不因受援国实行私营化政策而付诸东流). Yet, before the post-Tian'anmen sanctions, neither the decline of DAC development assistance nor the SAP-induced privatisations (which have been both going on throughout the 1980s) were sufficient to generate a significant impact on the course of Chinese foreign aid. It follows that it needed a major disruption in relational security to induce a change. Thus, after China – as a first response – rapidly increased its aid, MOFERT started to inquire into how high levels of foreign aid could be sustained in the long run.

On the foreign aid reforms initiated in 1993 (which I will discuss in the next section), two of the articles cited in the previous paragraph, in particular, provide a systemic insight into the motivations behind reform thinking within MOFERT: the article by Qi Guoqiang of CAITEC (1992) and the article by Fan Huifang of COMPLANT (1992). In reviewing the topic-relevant articles in the China Academic Journals database, I found them to be the most comprehensive (though there also also other articles that offer insights, e.g., Xue Hong 薛宏 1993; “Sun Guangxiang tan yuanwai tizhi gaige” 1993; Chen Xingyao 陈兴耀 1994; Liu Yipeng 刘一鹏 1994; Wang Cheng'an 王成安 1994.) This is perhaps not surprising, because CAITEC, as MOFERT's think tank, was involved in the drafting of aid policies, while COMPLANT, as MOFTEC's implementing arm for turn-key projects, supplied project-based information. At the same time, their staff may have been able to write more freely and openly than ministry staff. Based on the articles, I will illustrate how the need for a new foreign aid reform was debated in MOFERT.

First of all, it is striking that neither the SAPs nor the privatisation trend was portrayed negatively. Rather, they were described as “adjustments” (适应) that were necessary in the face of “changes in the international situation and in the national conditions of the recipient countries” (国际形势和受援国国情变化) (Fan Huifang 范惠方 1992, 31; MOFTEC 1993). At the beginning of the “adjustment” process was the recognition that China could not continue

¹⁰² Retrospectively, the policy has been heavily criticised by the UN for its negative effects on human rights (“Report of the Special Rapporteur on Extreme Poverty and Human Rights” 2018).

to provide aid in the same way as in the 1980s, as this approach was too expensive and ineffective (as outlined in chapter 2.3.3). Fan Huifang (1992, 30), for example, wrote that:

[I]f we continue to consolidate old projects by providing free aid and interest-free loans, this will inevitably consume all of our limited aid funds. If more funds are directed to the consolidation of old projects, little will be left for new projects. This will render our foreign aid funds invisible and give our recipient countries the impression that we're less inclined to help them.

如果继续以提供无偿援助或无息贷款的方式巩固老项目，势必挤占有限的援外资金，导致投入巩固项目资金多，新建项目资金少的现象，使我援外资金无形化，同时使受援国大有我减少对其援助之感。

Fan's statement speaks to fear that existed within MOFERT, namely that constantly feeding funds into old projects would leave no room for new ones. Moreover, this could decrease the visibility of Chinese aid and have a negative impact on the relations with recipient countries. Thus, China needed to find a way to free up funds to finance new foreign aid projects – because new projects (Fan is apparently hinting at the ceremonies that accompanied them) had higher visibility.

According to Qi Guoqiang (1992, 52, 54), a country-based adjustment presented a challenge because China knew too little about the countries it aided:

We need to undertake a comprehensive and objective analysis of the economic policies and the economic and social development in recipient countries, the role of the state-owned enterprises China helped build in recipient countries' national economies and the situation of the enterprises themselves. We must re-evaluate the potentials of these enterprises in the new international economic environment [...] so as to ensure that the results of China's economic aid will not be lost due to the privatization policies of recipient countries.

[...]

It has to be acknowledged that research on the economic development policies of developing countries has always been the weakest link of China's international economic co-operation. Now that the international political and economic situation in the international is changing [...] our neglect in this area means that we have no foundation on which to build our macro-economic development strategy and our business policy decisions[.]

我们应当全面客观地分析受援国的经济政策和经济社会发展形势以及我援建的国有企业在受援国国民经济中的地位及企业自身的状况，重新评估企业在新国际经济环境中的发展潜力，[...] 确保我经援成果不因受援国实行私营化政策而付诸东流。

[...]

应当承认，我国对发展中国家经济发展政策的调查和研究一直是对外经济合作工作中的一个薄弱环节。在当前国际社会政治、经济形势风云变幻 [...] 这方面的工作滞后造成我们在进行宏观发展战略和经营方针决策时无据可依[。]

Qi stressed that China had too little understanding of the economic situation and policies of the countries it aided and that it had difficulties assessing the impact of SAPs on state-owned

enterprises built with Chinese aid. His assessment is relevant because he had international experience, which was rather exceptional at the time, due to his previous work at the United Nations Industrial Development Organisation (UNIDO) and at the Chinese Embassy in the Gambia (see RMRB 2001 for biographical details). Now, Qi argued, the lack of information presented a bottleneck in finding an appropriate response to changing economic policies. Noteworthy is that Qi's concerns echo similar concerns raised by Hu Yaobang ten years earlier when China had tried to readjust its foreign aid policy after 1978. Hu (1982a) admitted that "we don't really understand...the socio-economic and political situation in Third World Countries" (对于第三世界国家的社会经济政治状况, 我们... 不甚了了).

The solution proposed by actors within the MOFERT system was similarly not a novel one, but something that had been originally envisioned in 1982 – namely to integrate foreign aid with foreign trade and “mutually beneficial co-operation”, namely commercially oriented project forms (Fan Huifang 范惠方 1992, 31; Qi Guoqiang 齐国强 1992, 54). Yet contrary to 1982, when the reform rationale was explained with the domestic economic situation, in the early 1990s, the need for reform was explained with the changing international situation: First, in light of the pressures put on the recipient countries by the SAPs and the debt crisis, combining aid with foreign trade would better cater to the developing countries' demands for capital and investment while they were implementing economic liberalisation and privatisation reforms as demanded by the SAPs (Fan Huifang 范惠方 1992, 31; Xue Hong 薛宏 1993, 53). Second, by combining aid with foreign trade, China would actually follow the global trend in international development co-operation, as the OECD DAC countries were expanding the role of the private sector in development assistance (Qi Guoqiang 齐国强 1992, 54). The specific suggestions of what new types of foreign aid projects might look like were again quite similar to what had been discussed in the 1980s (and what Chinese aid experts then suggested that China could learn from India), as can be seen in the following suggestion made by Fan Huifang (1992, 31):

Given that complete projects will remain a major element of our foreign aid in the future, we could offer to build some assembly plants or production lines in accordance with the conditions and needs of the recipient countries. Once the projects are completed, the components required for their production could be imported from China by way of trade. This would lay the foundation for the transfer [from aid] to mutually beneficial co-operation.

鉴于成套项目今后仍然是我国对外援助的一项主要内容, 我我似应根据受援国的条件和需要, 主动商其援建一些装配厂或生产线。项目建成后, 其生产所需零部件以贸易方式从我国进口, 并为转入互利合作等后续工作打下基础。

Thus, foreign aid could serve as a door-opener for Chinese companies by using aid projects to create future demand. It appears, indeed, that such a policy was perceived not only as a chance for Chinese enterprises to establish themselves in developing countries' markets but as a necessary precondition. Qi Guoqiang (1992, 53) argued that the past performance of Chinese enterprises in developing countries had shown that they were not yet ready to survive on liberalised markets:

Some companies were too eager to achieve quick results and lacked comprehensive planning. They failed to grasp the trends of the time in international economic development, the characteristics of market changes and the prospects of privatization policies. [...] Other companies blindly developed overseas investment business, thinking one-sidedly that the risks and the costs of economic assistance projects are small. [...] This resulted in high investments and low outputs, a situation which is very difficult to resolve.

一些公司在发展战略上急于求成，缺乏通盘安排，未能及时把握国际经济发展的趋势、市场变化的特点和实施私营化政策的前景 [...] 还有一些企业盲目发展海外投资业务，片面地以为经援项目风险小、代价小，[...] 以致投资以后的企业投入高、产出低不见起色，形成了难以收拾的局面。

Therefore, China needed to standardise and institutionalise the management of foreign aid, improve the coordination between relevant government departments in order to facilitate the flow of information on foreign aid, take into account the economic, trade and legal situation in recipient countries. It required the development of an approach that could ensure that projects were selected on the basis of their prospective economic benefit (Fan Huifang 范惠方 1992, 31; Qi Guoqiang 齐国强 1992, 54). In parallel, China needed to establish new policies to create incentives for Chinese enterprises to get involved in foreign aid projects. In that respect, CAITEC proposed tax reductions and allocation of special funds in the foreign aid budget for interest-free and low-interest loans (Qi Guoqiang 齐国强 1992, 54). Finally, to carry out the supervision of Chinese companies implementing foreign aid projects, China needed to give economic and commercial counsellors and MOFERT's representatives in the Chinese embassies and consulates a greater role in the management of foreign aid while ensuring that cadres were adequately qualified (ibid.). Thus, owing to first, the resurfacing of political motives as determinants of foreign aid after Tian'anmen, second, Taiwan's attempt to re-enter the United Nations, and third, the privatisation trend in developing countries since the late 1980s, the Chinese government began to implement a series of foreign aid reforms which would finally help to achieve the economic that had been envisioned in 1982.

2.4.2 Reform of the Foreign Aid Administration System in 1993

The internal struggle within the CCP over the future course of China's economic reforms that followed the Tian'anmen crackdown ended with Deng's "Southern Tour" (*Nan xun* 南巡) in January 1992 – a gesture which helped the reformists within the Communist Party stay in power (Baum 1996; Zhao 1993; Shambaugh 1993). In October, the 14th Party Congress endorsed the objective to reform China's socialist market economy system. At the National People's Congress in March 1993, the MOFERT was renamed to Ministry of Foreign Trade and Economic Co-operation (MOFTEC; *Duiwai maoyi jingji hezuo bu* 对外贸易经济合作部), indicating that China was planning to expand its patterns of economic interactions with other countries. Wu Yi 吴仪 (1938-), who became the Minister of MOFTEC,¹⁰³ initiated a series of economic and trade reforms, subsumed under the "Grand Strategy of Economic and Trade" (*Da jingmao zhanlüe* 大经贸战略) (Ma Jin 马金 1994, 9), which sought to integrate aid with trade and investment – and thus to use it to promote the internationalisation of Chinese companies.

The first step of this reform was the reorganisation of the foreign aid administration system in 1993, which was announced in the "Notice on the Reform of the Ministry's Foreign Aid Administration System" (*Guanyu wobi gaige yuanwai guanli tizhi de tongzhi* 关于我部改革援外管理体制的通知) issued by MOFTEC on March 17 (MOFTEC 1993).

The introductory statement explained the cause of the reform with "changes in the domestic and international situation" (国内外形势的变化):

In order to adapt to the changes in the domestic and international situation while adhering to the Eight Principles of Foreign Aid, we need to reform the foreign aid modalities, revise the institutional architecture of foreign aid, and swiftly implement an approach to foreign aid that from now on will mainly focus on helping recipient countries develop small and medium processing projects [which also includes manufacturing] for which there is a local need and local resources. Furthermore, the new policy will integrate [foreign aid] with the development of bilateral and multilateral economic and trade relations and mutually beneficial co-operation. This way, we can scale up the limited aid funds to generate greater economic and social benefits in recipient countries and promote the joint development of recipient countries and China.

为适应国内外形势的变化，援外工作要在援外八项原则的指导下，改革援助方式，调整援助结构，加快落实今后援外主要是帮助受援国发展当地有需要又有资源的中小型生产

¹⁰³ Prior to that, she served as a Vice-Minister of MOFERT.

项目，并与发展双边、多边经贸关系、互利合作相结合的新方针，让有限的援外资金使受援国发挥更大的经济和社会效益，促进受援国和我国的共同发展。

Linking to the events between 1989 and 1993, the “domestic” here refers to the endorsement of the objective to reform China’s socialist market economy system by the 14th Party Congress in October 1992 and to separate government functions from the enterprise functions I have outlined above. The “international” refers to the end of the Cold War, the dissolution of the Eastern Block, and the over declining development assistance flows to developing countries, which China perceived as pressure and an opportunity to increase its own foreign assistance. This is also how Sun Guangxiang 孙广相, the Director of MOFTEC’s Department of Foreign Aid explained the reform to journalists in May 1993: declining aid from the West to developing countries meant that now they were “expecting more assistance from China” (对中国的援助寄予更大的期望) (“Sun Guangxiang tan yuanwai tizhi gaige” 1993). The opportunity, according to Sun, was that through economic liberalisation and privatisation, development countries now “hoped to attract more investment through direct economic co-operation between companies” (希望通过企业间的直接合作吸引更多的投资), which required China to diversify (多样化) its modes of aid delivery.

Thus, the reform of the foreign aid administration system must therefore clearly be understood as triggered by a confluence of several external events (which impacted China): international sanctions after Tian’anmen, dissolution of the Eastern Block, and neo-liberal development co-operation policies. This is further reflected in the new foreign aid approach, explained in the introductory statement: China would focus its foreign aid on building small and medium-sized processing and manufacturing projects, which should cater to the respective market demands and utilise locally available resources (有需要又有资源) of recipient countries. The last section of the introductory statement of the notice further supports the assumption that the reform was motivated by concern about how to leverage the “limited foreign aid funds” (有限的援外资金) better. The Tian’anmen moment and Taiwan’s attempts to re-enter the UN have obviously led the Chinese leadership to the conviction that China needed to maintain a high level of assistance to developing countries to secure their global support. Integrating foreign aid with economic and trade relations presented a way to cater to the expectation of recipient countries – thus strengthening China’s relations power and relational security – while keeping the costs manageably, or ideally helping Chinese companies to generate profit.

Since the foreign aid reform of 1982, foreign aid administration had been split between two organisational units (of MOFERT): The Department of Foreign Aid (对外援助司, also abbreviated as 援外司, DFA) managed the political side of foreign aid, while COMPLANT, which served as the foreign aid implementation bureau (援外项目执行局) managed the implementation of foreign aid projects. In line with the 14th Party Congress' decision to "separate government from enterprise functions", the reform took all administrative management functions away from COMPLANT and allocated them to DFA. Thus, the DFA became the *guikou guanli* 归口管理, the "centralised management" unit for foreign aid (a function it retained till March 2018, when it was incorporated into the new foreign aid agency CIDCA). COMPLANT, which had been established in 1959 to undertake turnkey projects (such as the Tanzania–Zambia railway) and to provide technical assistance, was transformed from a *shiye danwei* 事业单位, an "administrative unit" under the ministry, to a state-owned enterprise.¹⁰⁴ Later, it developed into a comprehensive conglomerate with subsidiaries in many African countries that engage in aid, trade and investment (Tang Liwen 唐丽霞, Li Xiaoyun 李小云, and Qi Gubo 齐顾波 2014).¹⁰⁵ The DFA was tasked with the standardisation (规范化) and macro-control (宏观调控) of foreign aid on the basis of administrative rules and provisions (行政法规、制度). As I will show in chapter 4, the fact that the reform was not accompanied by legislation – but instead, that it was left to DFA and MOFTEC to draft specific regulations (sometimes alone, and sometimes with other ministries and agencies) as needed – would successively produce a very fragmented and complicated aid governance system. Furthermore, the Notice introduced a new implementation process for foreign aid projects: the so-called "general contract responsibility system" (*zong chengbao zerenzhi* 总承包责任制). The implementation was delegated to Chinese companies, who were supposed to be selected through a competitive bidding process, with selection criteria considering the scale, type and specific content of projects. The role of the DFA was limited to macro-management: it was to

¹⁰⁴ The change in status was also reflected in the change of the company name from China National Complete Plant Import and Export Corporation (中国成套设备出口公司) to China National Complete Plant Import and Export (Group) Corporation Limited (中国成套设备进出口(集团)总公司).

¹⁰⁵ The Notice stated that COMPLANT would continue to undertake the administration of contractors of already started technical and management co-operation projects in order to ensure a smooth transition between the old and the new foreign aid management system (Zhang Mianli 张勉勵 2018).

delegate design review, quality supervision, financial audit and acceptance of project deliverables to prequalified (择优选定) [outstanding] technical, consulting, and audit units [companies]; while the companies implementing foreign aid were responsible for ensuring due project process and quality in the framework of the “general contract responsibility system”. The “general contractor companies” (*zong chengbao qiye* 总承包企业) undertaking foreign aid missions were given full autonomy within the scope stipulated in intergovernmental agreements between China and recipient countries (在政府间协议规定的范围内, 享有充分的自主权). In this way, they also assumed parts of political and full economic and technical responsibility for their foreign aid projects. Lastly, the reform put the Zhongcheng Design Consulting Company (*Zhong cheng sheji zixun gongsi* 中成设计咨询公司), which was previously under COMPLANT, under MOFTEC’s direct leadership, with the new name of China Friendship Development International Engineering Design & Consultation Co. (*Zhongguo youfa guoji gongcheng sheji zixun youxian gongsi* 中国友发国际工程设计咨询有限公司, FDDC); it became a *buzhishu qiye* 部直属企业, a “company under the direct control of a ministry”. FDDC was tasked with undertaking feasibility studies, design review, quality supervision and acceptance of project deliverables for turn-key projects; and establishing a technical database of foreign aid projects and related commercial consulting services.¹⁰⁶ This system granted companies a high degree of operational freedom from the outset, while the DFA’s resources to monitor implementation were limited. Although DFA was granted more responsibility, the amount of staff was not increased – it remained at the same level of about 100 people as in 1982 when it was established.¹⁰⁷ As I will show in Chapter 4, by 2010, the lack of oversight over the activities of Chinese companies was perceived by the Chinese leadership as a significant problem. The same would apply to inter-departmental coordination.

¹⁰⁶ The FDDC still operates in this function today, though it is not anymore part of the ministerial structure, but is a holding enterprise of the state-owned construction engineering company China Railway 16th Bureau Group Co. Ltd. (*Zhong tie shiliu ju jituan* 中铁十六局集团, CRCC) (FDCC 2019).

¹⁰⁷ I derive this information from sources stating that in 2007, the DFA consisted of 100 people (OECD 2007). When the DFA was founded in 1982, it also consisted of 100 people (Xiao Fenghuai 肖凤怀 2019). This implies that between 1982 and 2007 there no changes to the amount of staff.

A noteworthy aspect, already pointed out in the previous section, is how important it was to MOFTEC, apparently, to emphasise that China followed international practice in its foreign aid reform. This had been stressed by representatives of CAITEC and COMPLANT quoted in the previous section when explaining the need for reform, and it is visible in the statements by DFA officials who explained the rationale for the 1993 reform of the foreign aid administrative system. The Director-General of the DFA Sun Guangxiang 孙广相, clearly framed the foreign aid reform as a response to the privatisation trend in developing countries. China's new foreign aid approach to focus on small and medium sizes processing and manufacturing projects was, furthermore, in line with the World Bank's focus on private sector development, which many DAC donors also adopted (on World Bank's private sector development focus during the 1990s see, e.g. Klein and Hadjimichael 2003). On the other hand, China was also a recipient of the World Bank's assistance, and it is therefore logical that its own learnings would be channelled into its aid policy. Wang Cheng'an 王成安 (1994, 7), the Deputy Director-General of DFA, compared China's foreign aid reform to the themes of the first Tokyo International Conference on African Development (TICAD), which took place in October 1993.¹⁰⁸ He wrote in MOFTEC's journal *Guoji jingji heguo* (*International economic co-operation*):

At the International Conference on African Development held in Tokyo in October 1993, representatives of African countries unanimously requested donor countries to improve the modes of aid delivery. They believed that increasing exports and attracting foreign investment was more effective for developing the production base than traditional intergovernmental economic and technical co-operation. This shows that our new foreign aid approach suits the changing situation of developing countries and is in line with trends in international economic co-operation.

在 1993 年 10 月份在东京召开的非洲发展国际会议上，非洲国家代表普遍要求援助国改进援助方式。他们认为，在发展生产的基础上，增加外贸出口和引起外来资金，比传统的政府间经济技术合作更为有效。这说明，我们的援外新方式符合发展中国家像是变化，适应国际经济合作发展的趋势。

Nevertheless, the increased focus on private sector development should not overshadow that Chinese actors equally emphasised the contribution Chinese aid could make to fighting global poverty. Scholars at CAITEC and CASS stressed that China was aiding 42 of the 47 countries that were listed as “Least Developed Countries” (LDCs) (Xue Hong 薛宏 1993, 52; Chen Xingyao 陈兴耀 1994, 25). CAITEC's Xue Hong (1993, 52). It highlighted further that

¹⁰⁸ The first TICAD conference consisted of nearly 1000 participants from 48 African countries, 13 major donors, 10 international organizations and more than 45 NGOs.

LDCs received more than half of China's total foreign aid – and that this proportion was higher than the average of developed countries (中国对这些国家提供的援助年度交付额占总额的比重在 50%以上, 远高于发达国家目前的平均比重), implying that China's contribution to global poverty reduction was by no means worse or less than that of developed countries.

2.4.3 Concessional Loans as Assemblage: The Key to Understanding Chinese Aid Thinking

The 1993 reform of the foreign aid administration introduced the “general contract responsibility system” to make Chinese companies the main implementing foreign aid actors. In 1995, the reform was completed by introducing a foreign aid tool, which constitutes the main pillar of Chinese foreign aid till today: government-subsidised preferential loans (*zhengfu tiexi youhui daikuan* 政府贴息优惠贷款), also known as concessional loans. A centrepiece of Minister Wu Yi's “Grand Strategy for Economy and Trade”, they were designed as an instrument to integrate aid with trade and investment – and thus to use aid to promote the internationalisation of Chinese companies.

Several scholars have argued that the “Grand Strategy” was in many respects an adaptation of the Japanese foreign aid model China had experienced as a recipient – amended by China's own experience (see, e.g. Shimomura and Wang 2012, 2015; Wang 2013; Watanabe 2013; Nissanke and Söderberg 2011; Brautigam 2009). Japan's foreign aid model during the 1980s was explicitly aimed at promoting export-oriented industrialisation through a strong link between Japan's official aid, foreign direct investment and trade flows (Shimomura and Wang 2012). Following in the footsteps of equivalent institutions in Japan and South Korea, the Export-Import Bank of China (Exim Bank) was set up under the State Council in 1994 to operationalise the new preferential lending agenda. With the introduction of concessional loans, China was finally able to implement the economic shift in foreign aid envisioned in 1980, in the early years of Reform and Opening-up: namely making foreign aid (also) serve China's own economic development.

While much has been written on the use of concessional loans, particularly in Africa (e.g. Brautigam 2009; Corkin 2012; Brant 2012; C. Cheng 2015), the logic of thought and action that contributed to their emergence needs further exploration. Most studies stop at the point of concluding that what China defines as foreign aid is to a large extent commercial and not charitable, and judged by OECD-DAC criteria of Official Development Assistance (ODA), it would largely not count as aid. However, this may illuminate how Chinese concessional loans

behave relatively to DAC aid, but it does not help comprehend the Chinese foreign aid approach.

I argue that to understand the logic of thought and action behind Chinese foreign aid today, one needs to understand the *assemblage* of Chinese concessional loans (DeLanda 2016). Concessional loans, which today comprise the largest part of Chinese foreign aid, are not simply an instrument of foreign aid that happened to be introduced in 1995. They are the product of a historical reform process that began after 1978 and carried the legacy of the Mao era aid. It is precisely for this reason that this chapter – whose function is to introduce the Chinese aid model and its inherent linking of aid with trade and investment – does not begin with the year 1995 when this model was formally introduced. (This would mean to leave out the story of *why* this model was introduced.) Instead, events and processes discussed in chapter 1 and hitherto are understood as part of the *assemblage* and thus as needed to understand concessional loans and describe Chinese foreign aid thinking.

I will show this by discussing two sources, both linked to Wu Yi, who clearly was the lead actor in the foreign aid reform: the first source is a report on a meeting within MOFERT to discuss the instructions of the State Council on the reform of foreign aid, which took place in June 1995 (Lin Mei 林玫 1995); the second document is the report on the National Work Conference on Foreign Aid Reform (全国援外改革工作会议), which took place in Beijing from 17 to 19 October 1995, and at which Wang Yi presented concessional loans as the new foreign aid approach (the report was compiled by CAITEC's Qi Guoqiang (1995), whose policy research I have quote earlier in this chapter). These two will be my main sources. Where needed, I fill the gaps on the map with other authoritative sources.

Evolution, not revolution

During the internal meeting at MOFERT in June 1995, which discussed the foreign aid reform instructions of the State Council, Wu Yi described the reform process not as a break with the past, but as an evolution from the past, a product of continuous development (Lin Mei 林玫 1995). She stated that

[China] will adhere to the basic principles of foreign aid and continue to uphold the “Eight Principles” of foreign aid. At the same time, drawing lessons from effective international aid practice, we will massively promote the mode of government-subsidized concessional loans.

要坚持援外工作的基本方针，继续尊重援外八项原则，同时借鉴国际上通行有效的援助做法，大力推行政府贴息优惠贷方式，大力推行政府贴息优惠贷方式[。]

The “basic principles” (*jiben fangzhen* 基本方针) mentioned in this passage refer to the “Four Principles of Economic and Technical Co-operation”, which were the outcome of the foreign aid reform of 1982, and were internationally introduced by Zhao Ziyang during his visit to Africa in 1983. The “Eight Principles” are the foreign aid principles announced by Zhou Enlai during his visit to Africa in 1964 (discussed at length in chapter 1). Thus, Wu Yi established that while the practice would change, the basic principles of Chinese aid would remain the same. In 1979, Deng Xiaoping had made a similar statement:

The basic principles of aid should still be that eight [principles], the specific modes should be revised[.]

基本上援助的原则还是那个八条，具体办法要修改[。]

(quoted in Shi Lin 石林 1989, 70)

This continuity is maintained till today, as will be seen in the following chapters.

Learning from international practice

Wu Yi stated that by introducing government-subsidized concessional loans, China implemented what had proved effective in international aid practice (Lin Mei 林玫 1995). Although she did not name it specifically, Wu Yi’s reference to “international aid practice” was most likely a reference to the first TICAD conference in Tokyo in 1993. This is suggested in an earlier statement by Wang Cheng’an, deputy director-general of MOFTEC’s Foreign Aid Department (quoted in the previous section), who drew a link between the themes of the TICAD statement and China’s foreign aid reforms. Wang referred to the TICAD declaration stating that “China’s new foreign aid approach...[was] in line with the trend in international economic co-operation” (我们的援外新方式...适应国际经济合作发展的趋势) (Wang Cheng’an 王成安 1994, 7). Led by Japan, the TICAD declaration had highlighted the relevance of the Asian experience for African development and stressed the need for a comprehensive approach that integrated aid, trade, debt strategies, and investments (TICAD 1993).¹⁰⁹ Concessional loans had been the main instrument of Japanese aid since the 1980s, with China itself a recipient country. Given the similarities between Japan’s aid approach in the 1980s and Chinese aid after 1995, several scholars suggested that the Chinese concessional loans approach later applied in Africa was, in fact, an adaptation (though not a copy) of the foreign

¹⁰⁹ For background on TICAD, see e.g. Stein (1998), Lehman (2005) and Edsröm (2010).

aid approach Japan used in China and Southeast Asia (e.g. Shimomura and Wang 2012, 2015; Wang 2013; Watanabe 2013; Nissanke and Söderberg 2011; Brautigam 2009). Chinese officials were reportedly impressed by the fact that Japan's investments, particularly in China's infrastructure and heavy industry, made an important contribution to China's economic development and poverty reduction while at the same time helping Japanese industry internationalise (Nissanke and Shimomura 2013, 25).

Adaptation to the changes in the domestic and international situation

Wu Yi presented the reform as a necessary and inevitable adaptation to China's domestic reform process and changes in the international environment. At the internal meeting at MOFERT, that took place in June 1995, Wu Yi explained that the change in China's foreign aid approach was dictated by both the changes in the international environment and China's domestic economic policy:

In recent years, China's foreign aid work has faced changes in the domestic and foreign markets. Purely inter-governmental co-operation is no longer suited to the changing economic situation in developing countries. Therefore, we must change our foreign aid mode. We must promote direct co-operation between Chinese enterprises and enterprises in recipient countries. This will not only help recipient countries develop their economies but also drive Chinese enterprises to international markets. This has already become the inevitable course for current foreign aid work.

近年来,我国的对外援助工作面临国内外市场的转变,单纯的政府间合作已经不适应发展中国家经济形势的变化。因此,改革援外方式,推进我国企业同受援国企业的直接合作,既帮助受援国发展经济,又带动我国企业走向国际市场,已经成为目前援外工作的必由之路。

(Lin Mei 林玫 1995)

At the National Work Conference on Foreign Aid Reform, she further specified that Chinese enterprises were not able to adapt to the privatisation wave in recipient countries. Therefore, the Chinese government needed to step in and "promote" (meaning support) direct co-operation between Chinese and recipient country companies:

China is building a socialist market economy. Enterprises have become the main subjects of economic activities. Financial institutions play an increasingly important role in economic affairs. [...] The purely intergovernmental co-operation we have pursued in the past has not been able to adapt to the major economic changes in the economic systems of developing countries. In order to adapt to the changes in the domestic and international situation and to go with the tide of historical development, we must adopt new modes. We must promote direct co-operation between Chinese enterprises and enterprises in recipient countries, give full play to the role of enterprises, help recipient countries develop their economies, and train managerial and technical personnel from developing countries.

我国正在建设社会主义市场经济体制，企业成为经济活动的主体，金融机构在经济事务中发挥越来越大的作用。[...] 以往单纯的政府间合作已经不能适应发展中国家经济体制的重大变化。为适应国内外形势的变化，顺应潮流，我们必须采取新的方式，推动我国企业同受援国直接合作，充分发挥企业的作用，帮助受援国发展经济，培养发展中国家的管理和技术人才。

(Qi Guoqiang 齐国强 1995, 5)

In the first part of Wu Yi's statement, "domestic" changes refer to the decisions of the 14th CCP Party Congress, which endorsed the objective to reform China's "socialist market economy system", namely to further economic transformation, marketization and financial sector reforms (Saich 1992, 1138). In the second part, that "purely intergovernmental co-operation we have pursued in the past has not been able to adapt to the major economic changes in the economic systems of developing countries" possibly refers not only to China, but, like the previous paragraph, also to the TICAD outcomes. The Tokyo Declaration stressed the limitations of government aid and highlighted the vital role of the private sector first, and second that co-operation "should be based on Africa's objective to achieve self-reliance". The latter was obviously congruent with the main objective of Chinese foreign aid (TICAD 1993). Furthermore, as I mentioned in the section on reform debated in the early 1990s, CAITEC considered that in "giving full play to enterprises" it followed the direction of development assistance direction set by the World Bank (and followed by many DAC donors). This meant specifically to involve the private sector in development co-operation and to support private sector development in recipient countries (Qi Guoqiang 齐国强 1992; Xue Hong 薛宏 1993). Particularly noteworthy is the fact, that what was presented by Wu Yi as "new modes" (新的方式), namely "give full play to the role of enterprises, help recipient countries develop their economies, and train managerial and technical personnel from developing countries" (充分发挥企业的作用，帮助受援国发展经济，培养发展中国家的管理和技术人才) was actually not new. As we have seen, Zhao Ziyang, already in 1983, had talked about the training of technical and management personnel, and foreign aid joint-ventures (RMRB 1983a). They just had not been implemented. With the latter, China was hoping to promote its newly established SOEs, which emerged when ministries were selectively transformed into SOEs or when their functions were outsourced to new SOEs (Tang Liwen 唐丽霞, Li Xiaoyun 李小云, and Qi Gubo 齐顾波 2014).

Scaling up aid funds

The unsuccessful attempt to engage Chinese enterprises in mutually beneficial (in economic terms) co-operation, was now to be achieved through a different mode of managing development finances, namely by combining the government's foreign aid funds with bank funds and enterprise funds. Wu Yi explained at the Foreign Aid Work Conference that:

The Chinese government will provide preferential loans with foreign aid character. The interest difference between the preferential interest rate and the bank's benchmark interest rate will be subsidized out of the foreign aid budget. Through the government interest discount, the interest rate of the loans provided to the recipient countries is low, the conditions [of the loan] are changed [from market rate] to preferential, which gives it the characteristic of aid. This has the following outcomes: (1) the combination of foreign aid funds and bank funds allows to expand the scale of foreign aid; (2) being the implementing agency of the preferential loan mode, a bank can increase the utilization efficiency of foreign aid funds; (3) this will promote bilateral investment co-operation between enterprises, and strengthen the co-operation between China and recipient countries in the provision of equipment, material and technologies by China.

中国政府提供具有援助性质的优惠贷款，其优惠利率与银行基准利率之间的利息差额由国家援外费补贴，通过政府贴息，使向受援国提供的贷款利率低，条件变的优惠，具有援助性质。这样做得到出是：第一，政府援外资金和银行资金结合，能扩大对外援助的规模，第二，银行作为实施优惠贷款方式的执行机构，能提高援助资金的使用效率，第三，推动双方企业的投资合作，加强中国同受援国在中国提供设备、材料和技术方面的合作。

(Qi Guoqiang 齐国强 1995, 5)

The scaling was achieved because although only the interest subsidy was funded out of the foreign aid budget – while the original loan was commercial – the loan would acquire the *xingzhi* 性质, translated as “nature” or “quality”, of foreign aid, and thus an otherwise commercial project could be declared as *foreign aid* (ibid.). This shows that the aid character was defined only by the criterion of a project being below the market rate. Simultaneous promotion of Chinese exports was not understood as contradictory to giving aid. Rather it was the meaning of “increase the utilization efficiency of foreign funds” (提高援助资金的使用效率) – with “co-operation” (合作) referring to exports or foreign investment. The Chinese term *hezuo* 合作, here translated as “co-operation”, is probably the most misunderstood term in the “West” when it comes to China. English language *Wikipedia* (2020) defines co-operation as “the process of groups of organisms working or acting together for common, mutual, or some underlying benefit, as opposed to working in competition for selfish benefit.” In the UN discourse co-operation is commonly understood as a means to pursue an existing common

goal.¹¹⁰ In the context of international development, co-operation is used synonymously with aid, with the term “development co-operation” has successively replaced “development aid” (Stokke 2009). This is why among those socialised in the context of DAC development co-operation, the word “co-operation” carries a connotation of selflessness. The Chinese term *hezuo* 合作, however, literally translates as “to join” or “together” (*he* 合) and “to do” (*zuo* 作). This “doing together” can but does not have to be charitable and implies that partners interact eye to eye. In the text by Qi Guoqiang, “bilateral investment *co-operation* between enterprises” (双方企业的投资合作) means foreign direct investment by China, and “strengthening the *co-operation* between China and recipient countries in the provision of equipment, material and technologies by China” (加强中国同受援国在中国提供设备、材料和技术方面的合作) means the promotion of Chinese equipment, material and technology exports. The link between *foreign aid* and *co-operation* can further be grasped from the following text passage from Wu Yi’s Foreign Aid Work Conference address which speaks of “actively promoting of foreign aid joint ventures” (积极推动援外项目合资合作方式):

This is a new mode of foreign aid characterized by the policy and financial support given by the two governments within the scope of the principle agreement between the Chinese government and the recipient government. Foreign aid projects are mainly implemented through a joint venture or a co-operative operation. This mode has the following benefits: (1) Chinese government funds can be combined with enterprise funds, which expands the funding sources and project scale; (2) the long term co-operation in management and technology between the enterprises of two sides, with the project benefits being linked to enterprise interests is conducive to the consolidation of project results and increasing the aid benefits; (3) the recipient country can increase income and employment, from which both companies can benefit. The reform of foreign aid modes provides an opportunity for the development of Chinese enterprises. Enterprises should seize the opportunities, actively explore joint ventures in foreign aid projects, and have the courage to explore markets in developing countries. This will contribute to the reform of foreign aid and create conditions for their own development.

这是援外的一种新方式，其特点是中国政府与受援政府原则协议范围内，双方政府给予政策和资金扶持，主要与合资经营、合作经营的方式实施中国对外援助项目。这样做的好处是：第一，可以把中国政府资金与企业资金结合起来，扩大资金来源和项目规模，第二，双方企业在管理、技术上长期合作，项目效益与企业利益挂钩，有利于巩固项目成果，提高援助利益；第三，受援国能增加收入和就业，双方企业都能从中受益。

(Qi Guoqiang 齐国强 1995, 5)

¹¹⁰ This can be derived from numerous UN documents.

Someone socialised in DAC development co-operation circles would normally note that the above text describes trade and investment promotion – but not aid. The latter, in the Northern foreign aid, is discursively constructed to be charitable (Mawdsley 2012a), though more recently, the Northern discourse is revealing traceable recastings – due to changing moral narratives, e.g. the shift from poverty to growth and from aid to development finance (Mawdsley 2018, 182). This shift, notes Emma Mawdsley (2017), had to do with the re-emergence of China in the aid field. What could characterise the enterprise-to-enterprise co-operation described in the Chinese text above as foreign aid was first the involvement of aid funds; second, an intergovernmental agreement that defined it as aid; and third, the assumption that the interaction would lead to higher incomes and employment. For Chinese enterprises, foreign aid was indeed supposed to fulfil the function of start-up funding and provide a relatively risk-free environment to “go global”. As I have outlined earlier, quoting CAITEC’s Qi Guoqiang (1992, 53), the Chinese government did not believe that Chinese enterprises were ready to survive on international markets. Chinese exports, however, were concentrated on Western markets – which turned out to contain hidden risks when Western countries faced economic depression in the early 1990s and responded to the Tian’anmen crackdown with economic sanctions (Liu Yipeng 刘一鹏 1995, 48). The diversification of export markets became a strategic question, and past recipients of Chinese aid – particularly in Africa – the target regions.

Adjustment of foreign aid structure

With respect to the overall mix of foreign aid funds, Wu Yi declared that while China would focus on expanding government-subsidised preferential loans, it would also appropriately increase the volumes of grant aid (*youhui daikuan* 优惠贷款), though generally no longer provide interest-free loans (*wuxi daikuan* 无息贷款) (MOFTEC 2002). Concessional loans would have a grace period of 5-15 years and were intended for “solvent countries” (有偿还能力的国家). Grant aid was intended for “economically still relatively weak but friendly neighbouring countries” (无偿偿还能力的经济比较困难的周边友好国家), for “least developed countries” (最不发达国家) and for “countries with special needs” (有特殊需要的国家), such as landlocked LDCs or small island states. It was to be used for construction projects, technical assistance, financial grants or co-financing to UN programmes.

However, despite the readjustment and prior negative assessment of past foreign aid projects as ineffective and overtly expensive, Wu Yi declared at the Foreign Aid Work Conference in 1995 that foreign aid joint ventures should be first implemented in the old projects China helped build. She stated:

The Chinese government will encourage and support Chinese enterprises to help revive old projects through joint ventures. They can locally implement small and medium-sized manufacturing-type projects [in areas where] there exist resources, a market and benefits; this can be particularly small and mediums sized projects for deep processing of primary products. We can start by developing Chinese assembly enterprises that assemble products from parts and then move from easy to difficult. From now on, the government's preferential loans will be mainly used as start-up funding for such projects.

中国政府鼓励和支持中国企业通过合资经营的方式，帮助援建的老项目恢复活力。在当地举办有资源、有市场、有效益的中小型生产性项目，特别是对初级产品进行深加工的中小型项目，开始可以多发展我国零部件组装的装配企业，从易到难。今后政府贴息优惠贷款将主要用于解决这一类项目所需的部分启动资金，援外方式改革为我国企业的发展提供了契机，企业要抓住机遇，积极探讨援外项目合资合作，勇于开拓发展中国家市场，极为援外工作改革做贡献，又为自身发展创造条件。

(Qi Guoqiang 齐国强 1995, 5)

The question arises as to why the Chinese government persisted with the continuation of “old projects” even though it internally assessed them as ineffective and costly. In DAC development co-operation, and certainly in the German aid system, it is a normal process not to extend a project if an evaluation concludes that the project did not meet its targets – though there are, of course, exceptions, when non-effective projects are continued for political reasons.¹¹¹ This was not the case with China, which may be explained with Relational Theory. In his opening speech at the foreign aid conference, Premier Zhu Rongji emphasised the 45-year-long history of China's economic and technical aid, highlighting the aid China has provided in constructing numerous projects in Africa (Qi Guoqiang 齐国强 1995, 4). He pointed out that “this was a great and courageous enterprise initiated by the old generation of proletarian revolutionaries” (这是老一代无产阶级革命家一伟大的胆略和魄力开创的事业), and that China now must “overcome the current difficulties in management and operation of these enterprises” (克服这些企业目前在经营管理方面的困难) (Qi Guoqiang 齐国强 1995, 4).

¹¹¹ During the war in Afghanistan, there were cases when development assistance projects that were judged ineffective were not discontinued in order not to lose concessions for military bases.

Thus, it seems that 1995 marked the end of a reform cycle that began with the start of the Reform and Opening-up era. With the founding of policy banks, the China Exim Bank and the China Development Bank (also in 1994), and with the introduction of concessional loans, China established the pillars of the foreign aid and development finance model that would make China a major global development actor a decade later. As in 1982, however, there were no detailed instructions on how the new policy should be implemented, nor was there a legal framework to guide it. Instead, Wu Yi addressed the delegates with a call for policy experimentation:

There will certainly be difficulties and problems in foreign aid reform, and there are still some concrete problems in the new foreign approach that need to be resolved. [But] we have to adapt to the changing situation, dare to practice, and braze a new trail that suit both the national conditions of China and those of the recipient countries.

改革援外工作肯定会遇到这样或那样的困难和问题，推行新的援外方式还有一些具体问题有待解决。我们要适应形势的变化，勇于实践，走出一条既适合中国国情，又适合于受援国国情的新路子来。

(Qi Guoqiang 齐国强 1995, 5)

This, in turn, opened a new and significant reform cycle, which will be the focus of the remaining part of this thesis.

Chapter 3: Chinese Aid Meets the West – Tracing (Hidden) Reform Debates

China never left, we just stopped looking.

Deborah Brautigam, The Dragons Gift (2009)

China's foreign aid has received a fair amount of attention in the West throughout the late 1960 and 1970s. Milton Kovner (1967) wrote in "Communist China's Foreign Aid to Less-Developed Countries" about the competition between China and the Soviet Union for the developing world after the Sino-Soviet split. Wolfgang Bartke's (1975) *China's Economic Aid (Die Wirtschaftshilfe der Volksrepublik China)* collated the full range of available information on Chinese economic aid from its beginnings to June 1971. John F. Copper's (1976) *China's Foreign Aid: An Instrument of Peking's Foreign Policy* provided a detailed historical overview of Chinese aid and outlined and discussed its goals. The American journalist Alan Hutchinson (1977b) wrote that China won praise from African nations for aid free of political strings, particularly through the construction of the Tanzania railway. Warren Weinstein (1975), a contractor who worked with the U.S. Agency for International Development (USAID), argued that the United States, and even to some extent the Soviet Union, perceived China not "as a challenge so much as a newcomer to share the burden of aid to developing states". In short, Chinese aid was *known*.

Then, stepping into the new era of Reform and Opening-up, almost 20 years after the Soviet Union withdrew its technical experts, China became an aid recipient again. In 1979, China signed an agreement with the United National Development Programme (UNDP) to receive assistance and also started cooperating with other UN programmes (Watanabe 2013, 99). In 1979, it signed its first concessional loan agreement with Japan, and in April 1980, it joined the World Bank. Other bilateral and multilateral donors followed. In short, China became an aid *recipient*. With that, the binaries used to conceptualize China in the Euro-American sphere shifted: from the East vs. West – which defined China as red, Communist and using aid to stir revolutions (Copper 1976), to the postcolonial North vs. South – where the rich and developed "give", and the poor and underdeveloped "receive" (Six 2009; Mawdsley 2012a, 2020).

Though, as discussed in chapter 2, China never stopped giving aid – moreover, according to OECD statistics, it was the eight-largest bilateral donor in Sub-Saharan Africa in 1984, giving

about as much as Norway and not much less than Japan or the United Kingdom (Brautigam 2009, 54)¹¹² – the West “stopped looking”.

This chapter is structured as follows: it begins with a “Context” outlining developments in DAC and Chinese aid in the decade between 1995 and 2005 when China (re-)emerged as an aid provider. It then sheds light on how the Chinese aid system was perceived by the DAC – with the help of confidential (and therefore anonymised) interview material; and how the Chinese aid system perceived itself. Hereby, I show that contrary to widespread assumptions in the West that behind Chinese aid was a clearly defined strategy, the Chinese aid system was (and in fact, still is) characterised by policy experimentation. Though, as argued by Heilmann (2018, 111), policy experimentation has been an asset and the key to the adaptability of China’s political economy, allowing an authoritarian regime to find innovative solutions to long-standing or newly emerging challenges, in foreign aid, it has created a system that is described as highly complex, fragmented and ineffective by its stakeholders. Next, I follow a foreign aid reform debate that started in 2010 – and initiated a reform process that is still ongoing. I call it “the (hidden) reform debate” not because it was secret or censored but because it was not noticed among Northern donors. As a matter of fact, the Chinese government shared many of the same concerns as raised by Northern donors and tried to address them. Finally, I analyse the first visible outcome from this (hidden) reform debate: The White Paper on *China’s Foreign Aid* which was published in 2011 and established for the first time an official *master text* for Chinese foreign aid.

3.1 The Context

After the introduction of the “Grand Strategy of Economy and Trade” (Ma Jin 马金 1994), foreign aid increasingly became an important channel for promoting Chinese trade and investment. Aid served as a “door-opener”, allowing the companies to operate in a relatively risk-free environment and introduce their products to developing countries, which they paid for with Chinese official finance. In the aftermath of the Asian Financial Crisis of 1997, “Going Out” (*zouchuqu* 走出去) was formalised as policy in 1999. In 2001, China joined the World

¹¹² Brautigam adds here that China’s aid commitments to developing countries in 1984, as estimated by the OECD, were 289 million US-Dollar. (Source: OECD, “The Aid Program of China,” Paris, W.2196D/Arch.0792D 3434, Paris, March 1987, p. 8. This excluded debt relief, scholarships, and medical teams.)

Trade Organisation (WTO). At the same time, energy security emerged as a critical issue after when in 2000, China's oil imports increased by 50 per cent within one year. It gained further prominence after the U.S. invasion of Iraq and massive power shortages in Chinese provinces in 2003-2004 (An Fengquan 安丰全 2004), as by 2003, China had become the second-largest energy consumer behind only the United States. To reduce import reliance, gaining direct access to oil fields (equity oil) abroad became one of the priorities of "Going Out" (Zhou Tianyong 周天勇 and Xia Xuqian 夏徐迁 2007, 27).

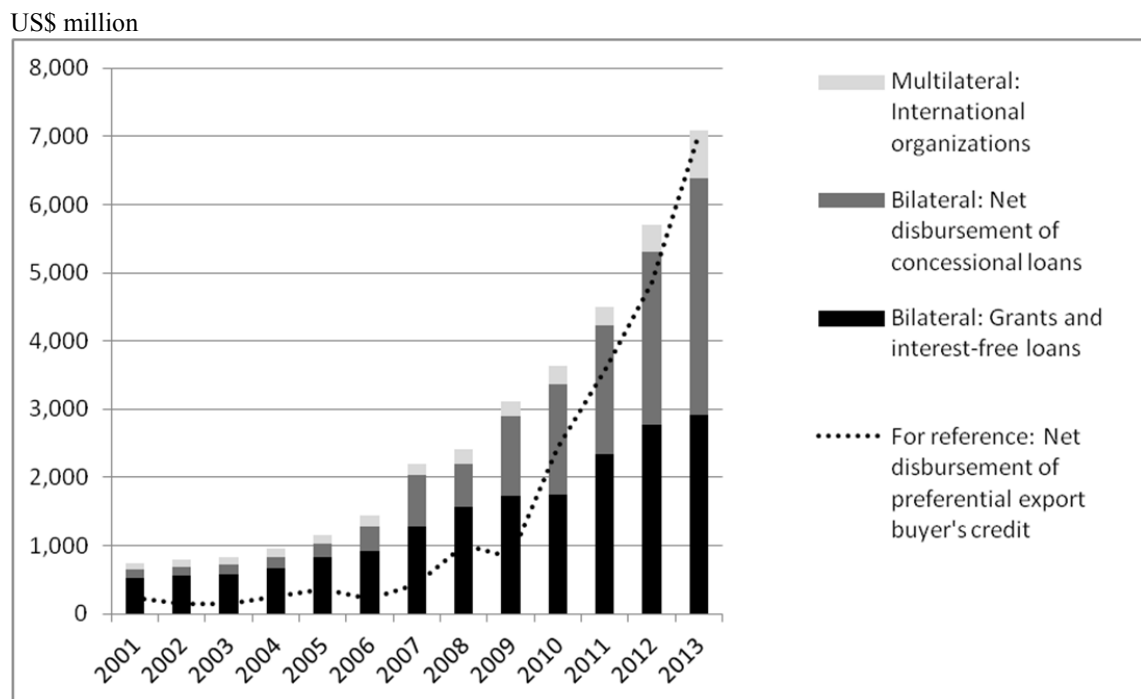
In the West, the political climate in the 1990s following the collapse of the Soviet Union was characterised by euphoria over what Francis Fukuyama (1989) called "The End of History" – the, so it was believed, final victory of Western liberal democracy as the ultimate form of government (and governance) for all nations. Aid that had played a significant role as a foreign policy tool for both the Western and the Eastern bloc during the Cold War lost its diplomatic relevance. At the same time, with the strategic aid drivers gone, the question of aid effectiveness began to surface. Globalisation, affordability of international travel and digitalisation directed the attention of the Western public spheres to civil conflicts, environmental challenges and the spread of HIV/AIDS in distant and, until then, relatively unknown countries (Lancaster 2007, 46). In addition, the Human Development Report published in 1996 by the United Nations Development Programme (UNDP) noted that in the 1980s, 100 countries, or 1.6 billion people, had experienced an economic decline – despite enormous amounts of global aid (UNDP 1996). The economic recession of the early 1990s, on the other hand, led to a further global decline in aid. The United States, which was the largest donor during the Cold War, cut its aid volume drastically to reduce the budget deficit. Germany, historically a large aid provider, redirected its efforts to German reunification. Japan, the largest ODA donor of the 1990s, had to reduce its aid towards the end of the millennium due to a recession. Only between 1995 and 1997, foreign aid worldwide dropped by 20 per cent. By 2000 the DAC countries provided a smaller share (0.22%) of their Gross National Income (GNI) than at any time since the late 1940s, far away from the aid target of 0.7 per cent adopted by the UN General Assembly in 1970 (Burnell 2015). In real terms, during the 1990s, ODA flows to Sub Saharan Africa dropped by 40 per cent. At the same time, the 1990s saw a sharp increase in aid conditionality (Mold 2009, 28). After the neoliberal structural adjustment programs had failed, from 2000 onwards, the aid agenda shifted to a strong focus on governance and institutional issues (Mold 2009, 31). The World Bank and the IMF introduced Poverty Reduction Strategy Papers (PRSPs) as a new key policy instrument through which the Bank,

the Fund and most DAC donors related with the recipient countries. The PRSP approach was originally intended to generate more ownership and accountability in recipient low-income countries, which were required to prepare the PRSPs to identify the incidence and causes of poverty and show how the funds provided would be used to alleviate poverty. In reality, however, as van de Walle has pointed out, the PRSPs as such were a donor-driven process: first, “recipients would never undertake PRSPs if they were not a condition to accessing debt relief funds and more [international financial institutions’] lending” (van de Walle 2005, 56). Next, there were clear policy expectations on the side of the donors – in terms of private sector development, good governance (largely oriented towards privatisation), deregulation, trade and investment liberalization, civil society engagement or political rights – which in many cases did not reflect the domestic priorities of the recipient countries. This was true not only for the Washington institutions but also for European aid. Despite formally favouring a more progressive conception of a “partnership” with low-income countries, the European Union increased the conditions in its grantmaking during the 1990s under pressure from member governments to improve the impact of aid (van de Walle 2005, 68). Thus, the generally reduced availability of aid for low-income countries was accompanied by the emergence of new aid conditionality.

Chinese foreign aid was following an opposite trend. Foreign aid spending had been rising rapidly since the early 2000s after a new generation of party leaders came to power, with Hu Jintao 胡锦涛 as the General Secretary of the CCP and China’s President, and Wen Jiabao 温家宝 as the Premier in 2003, amounting to an average annual growth rate of 29.4 per cent (SCIO 2011a). Figure 8, derived from the work by Japan International Co-operation Agency Research Institute (JICA-RI) researchers Kitano Naohiro and Harada Yukinori (2014), illustrates the development of China’s net foreign aid (estimates) by grants and interest-free loans, concessional loans, and contributions to multilateral organisations. As throughout the 1980s and 1990s, Africa remained a focus of foreign aid activities. Following the example of the Japan-Africa platform TICAD, in 2000, China initiated the Forum of China-Africa Co-operation (FOCAC) (*Zhong Fei hezuo luntan* 中非合作论坛) to create “a platform [for] China and friendly African countries for collective consultation and dialogue and a co-operation mechanism between the developing countries, which falls into the category of South-South Co-operation” (FOCAC 2004). Since 2000, high-level ministerial meetings were held every three years. The co-operation with Africa was, as envisioned in 1995, characterised by interlinking of aid with trade and investment and engaging business firms in the implementation of aid

schemes. Chinese foreign aid activities, which had remained widely unnoticed in the West throughout the 1980s and 1990s, started to draw attention.

Figure 8 Estimated China's Net Foreign Aid (2001-2013)



Source: Kitano and Harada (2014)

3.2 External Perspectives: A Challenger to the Prevailing Development Consensus

When China “Re-Emerged”¹¹³

The turning point was Angola in 2005: The International Monetary Fund and western countries have been pressing Angola to improve the transparency of its oil sector and to undertake other reforms as a precondition for committing aid funds. At the same time, China had offered Angola a 2 billion US-Dollar concessional loan as part of a longer-term aid package in connection with its bid to win oil exploration rights. China won the bid – Angola rejected

¹¹³ Parts of this chapter build on a book chapter co-authored with the political economist Andreas Fuchs entitled “The Motives of Chinese Foreign Aid”: in Zeng, Ka (Ed.), *Handbook on the International Political Economy of China*, Cheltenham/Northampton: Edward Elgar Publishing, 2019: 392–410 (Fuchs and Rudyak 2019). All the parts related to the analysis of original Chinese documents were researched and written by me, while Andreas Fuchs compiled the econometrics and economic analysis part.

IMF's aid conditions. The Chinese government encouraged China's (mostly national) extractive companies to "go out" with varying levels of diplomatic and financial support (Downs 2007, 48), offering developing countries the provision of Chinese aid and concessional loans in exchange for access to natural resources. At that time, Angola – along with Nigeria – was the main oil producer in West Africa and provided the United States with 15 per cent of its oil imports (Lyman 2005). This way, China began to challenge the U.S. where its political leverage was once greatest: in the oil and gas sectors. As the director of the Africa Policy Studies of the Council on Foreign Relations, Princeton Lyman testified in front of the U.S.-China Commission in July 2005, "[o]nce the United States could threaten rogue states with barring American, and with pressure, other western countries' oil companies from exploration and production in those countries. [...] China filled the vacuum" (Lyman 2005).

Subsequently, Chinese aid began to be associated with the "Angola Model" – resource-backed low-interest loans for projects. The *Foreign Policy* editor-in-chief Moisés Naím (2007) wrote in his opinion piece "Rogue Aid" that "behind this sudden Chinese drive to do good around the world [were] money, access to raw materials, and international politics [while China] couldn't care less about the long-term wellbeing of countries [it was giving] 'aid'".

Despite the harsh criticism that China received at first, this form of lending was not unique to China: Western banks have often used commodities as security for loans (Dollar 2016, 61). As Deborah Brautigam has noted, the resources-for-credit swap arrangement between China and Angola of 2005 highly resembled "compensatory trade" (*buchang maoyi* 补偿贸易) arrangements between Japan and China after 1978 (Brautigam 2009, 47, 56). Japanese aid to China in the 1980s mainly consisted of low-interest loans that financed the import of industrial technology and materials from Japan in exchange for exports of Chinese crude oil and coal. Compensatory trade allowed China to import machinery and equipment and repay later in kind with the goods thus produced – instead of making expensive debts in a foreign currency. This explains why the model was attractive for Angola and other resource-rich countries among China's recipients: they could acquire aid funds without having to submit to conditionalities or risks of exchange rate fluctuations.

Contrary to what has been highlighted in popular (e.g. Naím 2007) or academic (e.g. Alden 2005; Tull 2006; Davies 2007) discourse, there is no substantial evidence to suggest that Chinese foreign aid was primarily motivated by the extraction of natural resources, however. Economists, e.g. Lum et al. (2009), tried to substantiate this claim with data collected through news research. They suggest that Chinese aid to Africa and Latin America is determined by

commercial interests and is mainly motivated by the extraction of natural resources. Fuchs and Rudyak (2019, 400) have argued that Lum et al.'s data suffer – among others – from an imprecise distinction between aid in the narrow sense and other forms of official finance. Due to the lack of transparency, foreign aid flows are difficult to dissect from other Chinese official finance flows. Focusing on a narrow definition of Chinese aid, Dreher and Fuchs (2015) find no strong link between China's aid allocation across recipient countries with natural resource endowments during the 1996–2005 period. Similarly, the results in Hendrix and Noland (2014, Chapter 5) confirm that China's ODA does not follow natural resource endowments. Brautigam and Gallagher estimated that from around 132 billion US-Dollar committed by China to African and Latin American countries, just over a half was in the form of resource-secured finance, involving the export of oil, cocoa, platinum and diamonds (Brautigam and Gallagher 2014, 346). Dreher et al. (2018) explain that after disentangling ODA from other less concessional forms of Chinese official financing, it appears that only less concessional forms of official financing (rather than aid in the strict sense) are guided by the availability of oil in recipient countries.

One year after Angola, at the FOCAC Summit of 2006 in Beijing, China promised to double aid to African countries by 2009 within the framework of the *Beijing Action Plan* and to establish a 5 billion US-Dollar China-Africa Development Fund (*Zhong Fei fazhan jijin* 中非发展基金, CADF) (FOCAC 2006). By some estimates made in 2006, it was larger than what the World Bank had committed to African countries for the same time frame (Manning 2006; Harmann 2006; Pehnelt 2007) – these estimates were later disproved by research teams at JICA-RI (Kitano and Harada 2014) and the Johns Hopkins School of Advanced International Studies China-Africa Research Initiative (SAIS-CARI) (Hwang, Brautigam, and Eom 2016). A major point of concern was that China – in accordance with the “Eight Principles” – provided its assistance without political conditions. After a long series of negotiations, in 2005, the members of the OECD-DAC had in the Paris Declaration on Aid Effectiveness (OECD 2005) on five principles to make aid more effective and defined specific norms and standards for accountability and peer reviews. The norms included for aid recipients to forge their own national development strategies with their parliaments and electorates (*ownership*); and for donors to support these plans (*alignment*) and streamline their efforts in-country (*harmonisation*). Development policies were to be directed to achieving clear, monitorable goals (*managing for development results*); Donors and recipients committed to being jointly responsible for achieving these goals (*mutual accountability*). China had signed the Paris

Declaration as a recipient – not as a donor, as it was not a member of the OECD-DAC. DAC countries worried that China’s stated approach of giving aid without political conditions (except for the only political condition of PRC’s aid, namely to recognise it and not the Republic of China on Taiwan as *the only China*), might undercut DACs insistence on high requirements for good governance, environmental standards or linking aid with poverty reduction indicators (Manning 2006, 371; Dreher, Fuchs, and Nunnenkamp 2013).¹¹⁴ China’s lower conditionality and aid standards, as well as its readiness to extend aid to human rights violators like Zimbabwe, Angola and Sudan, undermined the efforts to incentivise sustainable structural (political, economic, social and environmental) reforms from the point of view of the DAC countries (Taylor 2008). China’s expansion of aid to Heavily Indebted Poor Countries (HIPCs), ex-HIPCs and Least Developed Countries (LDCs) could lead to higher unsustainable debts. Further concerns were the fragmentation of aid delivery (Frot and Santiso 2008) or unfair competition in developing countries through subsidised state-owned Chinese companies as the Chinese aid model is based on the synthesis of aid, trade and investment (Export-Import Bank of the United States 2007).

Concerned about China’s rising aid, DAC donors began to reassess their aid and conditionality approaches after FOCAC 2006. It was widely noted that during FOCAC, African leaders such as Senegal’s president Abdoulaye Wade pointed out to China how inflexible and highly conditional aid from multilateral banks and DAC-donors was: “With the Asian countries it’s fast and direct [...] Africa doesn’t have a lot of time” (Brautigam 2008, 21). While the president of the European Investment Bank (EIB) Philippe Maystadt openly criticised Chinese foreign aid saying “they don’t bother about social or human rights conditions”, internally the EIB apparently approached European development banks to re-evaluate their approach to conditionality in light of the positive receipt of the Chinese approach by African leaders (Parker and Beattie 2006). Similarly, the EU’s Directorate-General for International Co-operation (DG DEV) admitted that China’s rise in the global South affected the EU’s own policy agenda and challenged European aid in exactly those weak spots that have already been often criticised by recipients (Anonymised source AS-2/2007, 67 ff.). Subsequently, writes Uwe Wissenbach

¹¹⁴ This has been confirmed to me in an interview with an aid official from an EU-member state, who explained that after FOCAC 2006, China’s non-adherence with DAC standards was perceived as a risk for their country’s aid approach and its aid recipients (Anonymised source AS-1/2006).

(2008, 81–82) (an EU diplomat), that in the Africa-EU Strategic Partnership of 2007 (Council of the European Union 2007), the EU backtracked from conditionality to political and financial incentives for good governance and partnership.¹¹⁵ Though Wissenbach stresses that this re-orientation was not prompted by China but by the demands of new African leaders and African critics of aid dependency, the fact stands that it was China who presented an alternative approach and thus facilitated the change.

At the same time, the DAC adopted an outreach strategy, trying to involve China in a dialogue about best practice in aid and hoping to socialise China into the existing aid regime (Manning 2008, 15; Anonymised source AS-3/2007). The first attempts to establish an aid dialogue with China proved to be difficult (Anonymised source AS-3/2007; OECD 2007). When representatives of donor agencies and embassies of DAC member countries that provided development assistance to China tried to approach the Department of International Trade and Economic Affairs (DITEA; *Guoji jingmao guanxi si* 国际经贸关系司)¹¹⁶ at the Ministry of Commerce (MOFCOM; *Shangwubu* 商务部)¹¹⁷, which managed incoming aid and was their counterpart within the Chinese bureaucracy, they received the reply that DITEA could not provide any information on China's foreign aid as this was the responsibility of MOFCOM's Department of Foreign Aid (DFA) (Anonymised source AS-3/2007). It was explained that there were no work-related exchanges between the staff of DITEA and DFA, nor occasional personal contacts, as the DFA was located not within MOFCOM's main building but in a separate building several kilometres away (*ibid.*). To me, from a technical point of view, the lack of staff exchange is surprising, as it would be logical to employ personnel that has accumulated experience in managing incoming aid in outgoing aid projects to employ lessons learned. It is, however, telling about the fragmented structure of Chinese aid bureaucracy (and Chinese bureaucracy in general (Lieberthal and Lampton 1992)), which is something I will discuss in more detail in the remaining part of the thesis. Still, it explains why despite the existing good working level relations between donor representatives in China and

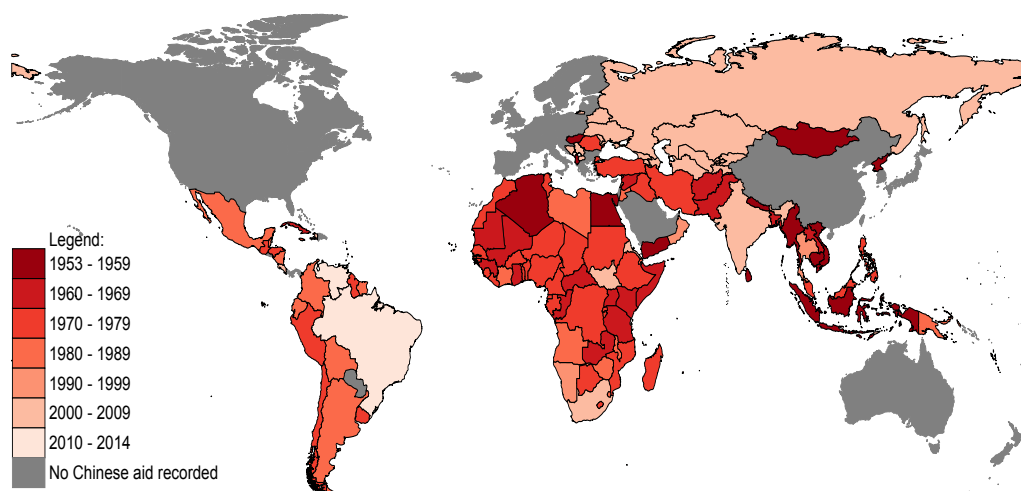
¹¹⁵ Wissenbach (2008, 82) writes that "China and its no-strings attached approach to development factored in in the reorientation of EU's approach to Africa: China's focus on a mutual interest-based, commercially driven and politically high-level partnership with Africa has concentrated minds in Europe [...] on how the old donor-recipient relationship could be transformed into a modern or even post-modern partnership[.]"

¹¹⁶ It is also abbreviated as *Guoji si* 国际司.

¹¹⁷ In 2003, the Ministry of Foreign Economic Co-operation and Trade (MOFTEC) had been transformed into the Ministry of Commerce (MOFCOM).

DITEA, it was difficult for DITEA to approach DFA, even on a working level. Reportedly, Chinese aid stakeholders were surprised by the sudden interest, given that China had been providing foreign aid all along, as illustrated in Figure 9, which shows a world map illustrating the year of each recipient country's first aid project by decade.

Figure 9 Year of First Chinese Aid Project by Country and Decade (1953-2014)



Source: Fuchs and Rudyak (2019)

Reluctant Interactions: Manning's Visit to Beijing in February 2007

In February 2006, finally, after many declined requests (Anonymised source AS-3/2007), an OECD-DAC delegation led by DAC's elected chair Richard Manning, a British civil servant, visited Beijing to meet with Chinese foreign aid stakeholders (OECD 2007). Manning's report described that the DFA consisted of around 70 staff and was responsible for the coordination of nearly all of the Chinese aid. It was thus not surprising that it was overwhelmed by the sudden interest in Chinese aid after 2006 (and for that reason initially refused meeting requests).

Manning observed that his interlocutors had been aware of the international interest and international critique of its aid; they were prepared to address separate concerns (such as project evaluation, debt-associated risks or sustainability), but critique was contested (OECD 2007). Officials from MOFCOM implied that China had learned from Western donors about practices and management of aid. As discussed in Chapter 3, my analysis of primary sources supports

the assumption that China used Japan as a reference point in its 1995 aid reform. Furthermore, as I mentioned earlier, several scholars (Nissanke and Söderberg 2011; e.g. Shimomura and Wang 2012, 2015; Wang 2013; Watanabe 2013) have argued that the basic patterns of China's interactions with Africa after 2006, namely linking aid with trade and investment, were mediated by Japan's similar approach in Southeast Asia.¹¹⁸ Moreover, my search in the *China Academic Journals* database revealed that while the total number of articles with *fazhan yuanzhu* 发展援助 “development aid” in the title was not high between 1995 and 2007, it is evident that Chinese aid actors have studied DAC aid both in comparative and country perspectives. For example, in 2006 – in the run-up to FOCAC – the Economic Research Department (*Jingji yanjiu bu* 经济研究部) of the China Exim Bank (which managed concessional foreign aid loans) published a comparative study of the DAC ODA donors' aid management policies and systems (Yan Qifa 严启发 and Lin Gang 林罡 2006). Similar studies on aid management by Western ODA donors have also been published by MOFCOM's think tank CAITEC, including a study by CAITEC's Vice President Shen Danyang 沈丹阳 (2005) on the “Role, Meaning and Objectives of Official Development Assistance” (*Guanfang fazhan yuanzhu: Zuoyong, yiyi yu mubiao* 官方发展援助：作用、意义与目标). Country specific studies focused primarily on Japan, including Japan's development assistance to Africa, but also followed the European Union, Germany, Canada, France, and Spain. Thus, China clearly engaged in policy learning and studies of the DAC ODA prior to Manning's visit to China.

In his meeting with MOFCOM, Manning furthermore raised the issue of foreign aid data sharing. One of the main reasons why the DAC donor community was concerned about Chinese aid was the lack of official data, making it impossible to assess the effects and implications of Chinese aid (Grimm et al. 2011). Manning observed that none of his interlocutors was able (or willing) to provide neither aggregated nor specific information on Chinese foreign aid flows. The speculation that China was unwilling to share its aid statistics was raised repeatedly and frequently in the Western discourse on Chinese development finance flows after 2006. A study at the Stellenbosch University by Sven Grimm et al. (2011, 4) quotes a Chinese policymaker, who argued that aid figures were a sensitive issue in China, not the least given the persisting domestic needs, meaning that high aid figures may not be perceived

¹¹⁸ Nissanke and Söderberg (2011, 14–15), for example, see China as a representative of the “East Asian Model of Aid”, whose characteristic feature is to engage business firms in the implementation of aid schemes.

positively by the Chinese public. Equally true is that MOFCOM had no comprehensive foreign aid statistics system in place; this was communicated to Manning by Assistant Minister Wang Chao 王超 (OECD 2007: Annex 1, p. 2). The decision to establish a statistical system was made only in 2014 (MOFCOM 2014b); however (as I will discuss later), by 2018, it still had not been established.¹¹⁹ Furthermore, there was apparently also no information sharing between different government departments. For example, Denghua Zhang [Zhang Denghua 张登华], a former Chinese diplomat now at the Australian National University, writes that the reason China's first Foreign Aid White Paper (2011) did not include details on China's multilateral aid is that the Ministry of Finance (MOF; *Caijingbu* 财经部) refused to share its data with MOFCOM (Zhang and Smith 2017, 2337).

Finally, at the de-briefing of his mission with diplomats and international organisations in Beijing, Manning shared his observation that China's foreign aid was "reeling" from the continuously rising aid commitments, particularly to Africa ("Foreign Assistance: OECD Visitor on China's Limited Willingness to Discuss Its Donor Role" 2007). Manning's report quotes in this respect Wang Yizhou, Deputy Director of the CASS Institute of World Economics and Politics, mentioning the increasing pressure felt by China internationally and internally, but also diverging views on the future direction of foreign aid within the Chinese government (OECD 2007: Annex 1, p. 6). A similar impression of pressure and overload was shared with me by a former Beijing-based European diplomat, who told me that Chinese aid actors started to approach the UNDP, the World Bank and the ADB asking for knowledge exchange on processes and instruments (Anonymised source AS-4).

Though Manning's interlocutors in charge of various aid-related tasks expressed – in varying degrees – an interest in knowledge exchange and policy learning, MOFCOM rejected the idea of joining the DAC development consensus that China had signed as recipient. The core reason was the question of aid conditionality. According to the report on Manning's

¹¹⁹ According to the draft "Measures for the Administration of Foreign Aid" (*Duiwai yuanzhu guanli banda (xuqiu yijian gao)* 对外援助管理办法(征求意见稿)) issued in 2018 by then newly established China International Development Co-operation Agency (*Guojia fazhan hezuo shu* 国家发展合作署 CIDCA), the named agency was mandated to "set up comprehensive statistical rules for foreign aid and collect, summarize and prepare statistical data on foreign aid" (建立全口径对外援助统计制度, 收集、汇总和编制对外援助统计资料) (CIDCA 2018). This passage is identical to MOFCOM's "Measures for the Administration of Foreign Aid" of 2014, which suggest that in 2018 no statistical system was in place.

meetings, assistant Minister Wang said that China would not give up the non-conditionality because of the principle of non-interference. Most notably, and this is a direct quote from the report, “he also referred to the continued memory in China of the Western embargo on the PRC after its creation in 1949” (OECD 2007: Annex 1, p. 2). Wang’s was not the only historical reference in Manning’s report: Li Ruogou 李若谷, the Chairman and President of the China Exim Bank, is quoted judging “the historical record of the West on development co-operation to be not good (going back to colonial times)” (ibid., 7). The collectively expressed official position was that China was a developing country and not a donor; Chinese foreign aid was a case of horizontal, South-South Co-operation, mutually beneficial assistance between developing countries. China’s model was based on China’s experience as a provider of foreign aid since the mid-1950s and as a recipient of Western ODA since 1978. It was fundamentally different from the “Western” aid model but no less legitimate.

3.3 Internal Perspectives: Foreign Aid System for Trial Implementation

3.3.1 A Complex System with Poor Coordination

The institutional setup of the foreign aid system that Manning’s interlocutors described to him during his visit to Beijing in 2007 did not differ substantially from the foreign aid administration system established between 1993 and 1995 (chapter 2). While the foreign aid volumes were growing almost exponentially since the turn of the millennium, the foreign aid administration system that managed them did not undergo a proportional adjustment. As outlined in chapter 2, the 1993 reform of the foreign aid administration system allocated all foreign administration functions to the Department of Foreign Aid. As the “centralised management” (*guikou guanli* 归口管理) unit, the DFA was responsible for the selection of projects and project implementing units, and for the macro-management of foreign aid projects. Macro management referred to delegating design review, quality supervision, financial audit and acceptance of project deliverables to prequalified technical, consulting, and audit units [companies] – and monitoring the results. In 2007, the DFA consisted of about 100 staff – the same number of staff the DFA had at its founding in 1982 (see chapter 2). So, while the number of aid projects, aid volumes and aid instruments increased continuously, the number of staff to manage them remained the same. Instead, after 2000, new mechanisms were gradually created outside the DFA to take on specific aid tasks, rather than expanding the DFA.

Accordingly, Zhou Hong 周弘, director of the CASS Institute of European Studies (*Ouzhou yanjiusuo* 欧洲研究所) who is considered one of China's most eminent foreign aid scholars, describes the administration mechanism of foreign aid after the year 2000 as comprising of the two elements "division of labour based on specialisation" (*zhuan yehua fengong* 专业化分工) and "inter-ministerial coordination" (*bumen jian xietiao* 部门间协调). She writes:

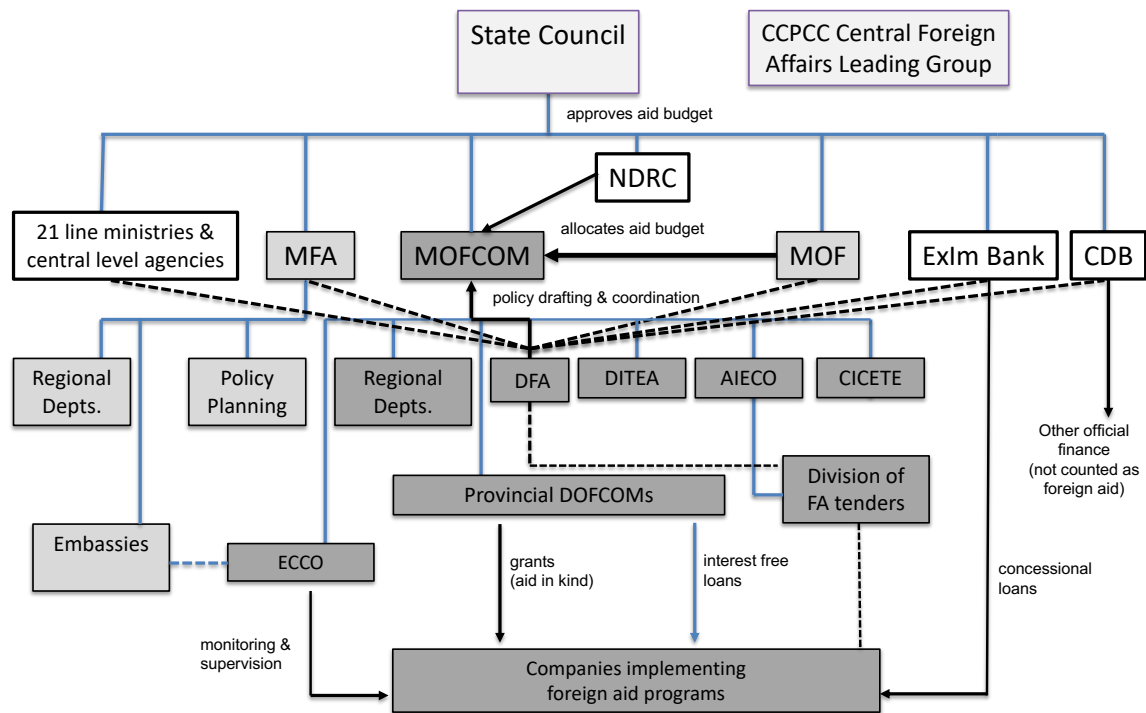
With the broadening of foreign aid work into various specialised fields, specialised and meticulous management requirements were becoming higher and higher, and more specialised departments and line ministries became involved [in management and implementation of foreign aid]. Inevitably, the coordination and the information flow between the different specialised departments and line ministries was poor.

随着援外工作向各专业领域的延伸，对于专业化和细致化管理的要求越来越高，分管的专业部门多了起来，专业部门之间协调不畅、信息不同的现象在所难免，因此，在各个层级和专业领域里中间协调机制就成为必要。

(Zhou Hong 周弘 2013a, 40)

Piece by piece, the foreign aid system came to involve 24 central level ministries and agencies (Zhou Hong 周弘 2013b, 41; Huang Meibo 黄梅波 and Hu Jianmei 胡建梅 2009, 35). In addition, it also included provincial and local departments of commerce (as many projects were implemented by provincial SOEs), as well as Chinese embassies and consulates in recipient countries (Huang Meibo 黄梅波 and Hu Jianmei 胡建梅 2009, 35). Figure 10 illustrates the MOFCOM DFA-centred foreign aid system described by Zhou Hong.

Figure 10 Foreign Aid Administration System in 2008



Source: Own figure

The following section provides a detailed description of the Chinese foreign aid administration system as it presented itself at the time of the FOCAC conference when China radically increased its aid commitments.¹²⁰ Three ministries formed the core of the foreign aid system: the MOFCOM as mentioned above, the Ministry of Foreign Affairs (MFA; *Waijiaobu* 外交部,) and the Ministry of Finance (MOF; *Caizhengbu* 财政部). MOFCOM was generally responsible for policy drafting and the administration of foreign aid. However, since foreign aid is also an instrument of foreign policy, policy formulation and annual planning were jointly conducted by MOFCOM and the MFA. Annual budget plans and financial aid, in general, were coordinated between MOFCOM and the MOF, which also allocated the yearly budget. The

¹²⁰ The following description is mainly based on scholarly articles by Chinese foreign aid experts Hu Jianmei 胡建梅 and Huang Meibo 黄梅波 (Hu Jianmei 胡建梅 and Huang Meibo 黄梅波 2012a; Hu Jianmei 胡建梅 2013), Xue Lan 薛澜 (2014), and the information provided on the webpage of the respective government agencies. Legacy websites were retrieved via the Wayback Machine Internet Archive.

budget itself, however, needed approval by the powerful National Development and Reform Commission (NDRC; *Guojia fazhan he gaige weiyuanhui* 国家发展和改革委员会), which in turn answered to China's highest decision-making body, the Politburo. Along with the four major ministries, over 20 other central level ministries and ministerial structures (and their provincial subsidiaries) were involved in implementing aid projects. The overarching decision-making authority, however, lay with the Central Foreign Affairs Leading Group (*Zhongyang waishi gongzuo lingdao xiaozu* 中央外事工作领导小组)¹²¹ of the CCP Central Committee, which is chaired by the General Secretary of the CCP (who is also the head of state) and included members of the State Council and relevant ministries.

Ministry of Commerce (MOFCOM; *Shangwubu* 商务部)

Within MOFCOM, as mentioned above, the DFA was responsible for drafting foreign aid policies and regulations, examining and approving aid projects, and managing project execution. Of its ca. 100 staff, only around 70 were foreign aid specialists (the remaining were administration staff). To compensate for the limited resources, the DFA had the right to request assistance from provincial Departments of Commerce (DOFCOMs; *Shangwu ting* 商务厅), which are in MOFCOM's line of command, on special issues such as education or agriculture, if needed. In general, however, it has been repeatedly stated by Chinese aid experts that the DFA lacked the adequate capacity to manage its portfolio ("Managing Aid Effectively: Lessons for China? Workshop Report" 2008; Hu Jianmei 胡建梅 2013). In addition to being understaffed, as a "department" (*si* 司), the DFA had a lower rank within the Chinese bureaucracy than the ministries and ministerial-level agencies it was supposed to coordinate. It also had a lower political rank than many SOEs that implement foreign aid or concessional loan projects, as many are "vice-ministry" (*fubu* 副部) level and thus outrank the DFA. If stakeholders, including the MFA and central and provincial level SOEs, wanted to pursue their own interests, they could bypass the DFA (and MOFCOM) through vertical communication. As illustrated by Lieberthal and Lampton (1992) in their volume *Bureaucracy, Politics, and Decision Making in Post-Mao China*, a central characteristic of China's fragmented

¹²¹ In March 2018, the Central Foreign Affairs Leading Group was transformed into the Central Foreign Affairs Commission (*Zhongyang waishi gongzuo weiyuanhui* 中央外事工作委员会). Since 1993, its leader always was the General Secretary of the CCP and President of the PRC.

bureaucratic system is vertical “stove piping”: bureaucratic actors report vertically within their own administrative systems, up to the level of the State Council or the Central Foreign Affairs Leading Group. There is virtually no horizontal coordination (Lieberthal and Lampton 1992; Hu Jianmei 胡建梅 2013; Interview with Zha Daojiong 查道炯 in March 2016).

Besides the DFA, several other departments and agencies within the MOFCOM-system carried out other specific foreign aid-related tasks:

- Complete or turn-key projects and related technical co-operation were managed by the Agency for International Economic Co-operation (AIECO; Guoji jingji hezuo shiwu ju 国际经济合作事务局).¹²² AIECO, having the status of an administrative business unit (*shiye danwei* 事业单位) under MOFCOM, was in charge of the complete project cycle, including i.a. (a) technical negotiations between China and the recipient countries’ governments on project design, signing implementation agreements or contract, and project handover upon completion; (b) management and supervision of the pre-qualification process for companies wanting to receive accreditation as “foreign aid enterprise” (*Yuanwai xiangmu shishi qiye* 援外项目实施企业), which is a precondition for participation in foreign aid project tenders; (c) negotiations and signing of “general contracts” (*zong chengbao hetong* 总承包合同) with aid implementing enterprises, and monitoring of contractual performance through inspections on aspects like project quality, compliance with times schedules and production safety, and (d) budget management. It had about 100 staff, which visited projects midterm and upon completion (OECD 2007, 3).
- Goods and material aid were managed by the China International Centre for Economic and Technical Exchanges (CICETE; Zhongguo guoji jingji jishu jiaoliu zhongxin 中国国际经济技术交流中心).¹²³ CICETE was responsible for the bidding process and the organisation and supervision of delivery.

¹²² The AIECO was established in 2003. It is sometimes translated as Executive Bureau of International Economic Co-operation, but MOFCOM’s official English translation is Agency for International Economic Co-operation.

¹²³ CICETE was established in March 1983 and initially designated as the “centralised management” unit for China’s co-operation with the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organization (UNIDO). CICETE was delegated the responsibility for managing goods and material aid in December 2008 (CICETE n.d. a).

- Foreign aid training programmes were implemented by the Academy for International Business Officials (AIBO; Shangwubu peixun zhongxin 商务部培训中心). This included, for example, training for management and technical personnel from African countries, which was financed by the African Human Resources Development Fund (*Feizhou renli ziyuan kaifa jijin* 非洲人力资源开发基金) established in 2000. AIBO trained not only foreign officials, but also MOFCOM staff posted to the Economic and Commercial Counsellor Offices in Chinese embassies and consulates abroad, responsibilities included monitoring foreign aid projects on the ground.
- The Department of International Trade and Economic Affairs (DITEA; Guoji jingmao guanxi si 国际经贸关系司) was in charge of trilateral development co-operation projects, which China had just begun to explore. Traditionally, DITEA managed bilateral and multilateral grants to China and served as the contact point for UN agencies and other multilateral and bilateral economic and technical co-operation donors. It kept the contact point function when DAC donors started approaching China to explore trilateral co-operation, even though it was not in charge of China's foreign aid.
- Economic and Commercial Counsellor Offices (ECCO; Jingji shangwu chu 经济商务处) in Chinese embassies and consulates abroad can influence China's foreign aid in various ways. Typically, they are the first contact point for both recipient country government and Chinese companies who want to propose new foreign aid projects; and they are the ones who then pass the information to MOFCOM. In practice, however, as Brautigam (2009, 109) observed during her fieldwork, Economic and Commercial Counsellors are rarely foreign aid experts. For Zambia, for example, Trevor Simumba (2018, 18) concluded after an interview with the Chinese Embassy that it did not have complete data on all Chinese foreign aid and investment projects in the country.
- The Foreign Aid Joint Venture Project Fund (Yuanwai hezi hezuo xiangmu jijin 援外合资合作项目基金) was managed jointly by MOFCOM and MOF (Huang Meibo 黄梅波 and Hu Jianmei 胡建梅 2009, 38). MOFCOM was responsible for approving foreign-aid joint venture projects and signing agreements with foreign parties. It submitted the annual plan for the use of funds to the MOF, which the MOF had to approve. Application for funds from the Foreign Aid Joint Venture Project Fund could be submitted by companies to any relevant ministry or commission under the State Council or to provincial DOFCOMs. These were to carry out an initial assessment, and if a project was suitable, to forward it to

MOFCOM. MOFCOM would then entrust ECCOs to coordinate with the applying company to undertake market research and a feasibility assessment which took the local economic and political situation into account. If the project were suitable, MOFCOM would draft a project proposal. Within MOFCOM, the DFA was responsible for assessing the project's viability; the Finance and Accounting Department (*Ji cai si* 计财司) was responsible for reviewing the financial status of the applying company and determining the loan amount. For projects proposal exceeding a loan amount of 10 million RMB, project proposal evaluation and determining the final loan amount was to be done jointly by MOFCOM and MOF.

Ministry of Foreign Affairs (*Waijiaobu* 外交部, MFA)

The MFA's role was to ensure that foreign aid projects do not contradict China's overall foreign policy. Thus, although it was named a lead foreign aid ministry together with MOFCOM and MOF, its real influence on foreign aid was limited. For this reason, the relationship between MFA and MOFCOM had for a long time characterised by tensions. Although MOFCOM's ECCOs were located in MFA's embassy buildings, because they were not part of the MFA structure, there was often a lack of coordination between the two bodies at the recipient country level ("Managing Aid Effectively: Lessons for China? Workshop Report" 2008).

Ministry of Finance (*Caizhengbu* 财政部, MOF)

The Ministry of Finance drafted and managed China's national budget, and, as I noted above, the aid plans drafted by MOFCOM needed to be accepted by MOF and integrated into the budget. Foreign aid project proposals had to be circulated to the MOF for approval. In terms of direct foreign aid funding, MOF covered the gap between the commercial and concessional interest rate for China Exim Bank's concessional loans. Lucy Corkin (2012, 71) noted in her interview-based study of Exim Bank loans to Africa, that in theory, MOF was responsible for loans policies, drawing up the framework agreements, and determining the interest rates of concession loans. However, in reality, it apparently deferred this responsibility to MOFCOM and the Exim Bank and only signed off on loan agreements in order to approve the budget. Being responsible for China's budget, the MOF also oversaw Chinese debt cancellations and debt rescheduling. Finally, it also managed China's financial contributions to the multilateral

development banks and the UN system – except for the IMF, here the liaison agency was the People's Bank of China (*Zhongguo renmin yinhang* 中国人民银行, PBOC).

Line Ministries

Line ministries assumed implementation management responsibility for projects in their subject areas: The Ministry of Agriculture (MOA; *Nongyebu* 农业部)¹²⁴ had to be involved in the formulation of policies and plans on agricultural foreign aid (MOA 农业部 2010) and providing support to relevant departments in the organising the implementation of agricultural foreign aid projects. Within the MoA, this task was carried out by the International Co-operation Department (*Guoji hezuo si* 国际合作司). The MOA was further responsible for the coordination of Agricultural Technology Demonstration Centres (ATDC; *Nongye jishu shifan zhongxin* 农业技术示范中心), which China had promised to set up in African countries at the FOCAC Summit in 2006 to facilitate the transfer of agricultural technology from China to Africa, and to support the “going global” of Chinese agricultural products (Xu et al. 2016, 2). The ATDC program was designed and is coordinated jointly by MOFCOM and MoA, with MOFCOM having final decision-making authority (Xu et al. 2016, 4). However, the Centres themselves were supervised by the provincial departments of agriculture and operated by companies from the respective province. Thus, the ATDCs answered concurrently to MOFCOM and MOA, to their respective provincial governments, and to their parent companies – whom all had different and sometimes competing priorities (Xu et al. 2016, 6 ff.). Researchers from China Agricultural University who monitored the progress of ATDCs in several African countries found that ATDC directors often faced a triple challenge: On the one hand, they had to implement technical assistance on behalf of the Chinese central government; on the other hand, they had to generate profits and develop a market for their parent company's products on behalf of their province, while at the same time trying to meet the needs of the host government (ibid.).

¹²⁴ The Ministry of Agriculture had been formed in 1954. In March 2018, it was dissolved, its functions were integrated into the new Ministry of Agriculture and Rural Affairs (*Nongye nongcun bu* 农业农村部).

The Ministry of Health (MOH; *Weishengbu* 卫生部)¹²⁵ was responsible for the coordination of Chinese Foreign Aid Medical Teams (Yuanwai jiliao dui 援外医疗队), whom China had been sending to Africa since 1963. Hereby, the MOH managed the budget for medical teams directly with the MOF, without MOFCOM's involvement (Zuo Yun 左耘 2013, 8). Chinese provinces coordinated the specific deployment of medical teams. Each province, except for Tibet, Xinjiang, Guizhou and Hainan, was assigned a partner country in Africa (some economically strong provinces, like Guangdong, have two partner countries) and was responsible for putting together a medical team consisting of doctors and nurses of different medical backgrounds from its provincial hospitals.¹²⁶ In the partner countries, the medical teams were supervised by MOFCOM's Economic and Commercial Counsellors at the Chinese embassies, as they were generally in charge of supervising Chinese foreign aid on the ground. As a Chinese public health expert, who worked at a MOH-affiliated think tank, told me, the MOH was not consulted on the construction of hospitals or anti-malaria centres, as both fell under the turn-key projects category and thus were MOFCOM's responsibility (Interview with a Chinese health official, September 2014). Furthermore, I was told that when the hospitals were handed over to recipient country governments after completion, they were often not being used because the equipment was labelled in Chinese. An obvious solution would be to send the medical teams to Chinese-constructed hospitals, but the MOH argued that it was not responsible for hospital construction and that medical teams were better placed in the established hospitals. It is an open secret, I was told, that building hospitals is not efficient. However, since they are seen as an important part of China's "friendship diplomacy", stopping building them would be an unfriendly act towards African countries.

¹²⁵ The Ministry of Health had been formed in 1954. In 2013 it was dissolved, its functions were integrated into the newly founded National Health and Family Planning Commission (*Guojia wensheng he jihua shengyu weiyuanhui* 国家卫生和计划生育委员会). The NHFPC was dissolved in 2018 and superseded by the National Health Commission (*Guojia weisheng jianjiang weiyuanhui* 国家卫生健康委员会).

¹²⁶ According to Zuo Yun 左耘 (2013, 9), who at time of article writing was based at the NHFPC Information Centre (*Guojia wensheng he jihua shengyu weiyuanhui Xinweh xuanzhuan zhongxin* 国家卫生和计划生育委员会新闻宣传中心), the medical teams mainly comprised of specialists in internal medicine, surgery (including highly specialist area such as neuro-surgery), gynaecology and paediatrics. They included doctors trained in both Western and traditional Chinese medicine, with most doctors holding an intermediate or higher professional title. Typically, the medical teams rotated every two years.

The Ministry of Education (MOE; *Jiaoyubu* 教育部) was in charge of educational aid and related foreign aid projects. The Ministry of Science and Technology (MOST; *Kezhibu* 科技部) managed foreign aid in science, which primarily meant using foreign aid channels and instruments available to MOFCOM to support the “going global” of Chinese information technology (MOST 2005). Emergency aid was delivered by the People’s Liberation Army (PLA; *Jiefangjun* 解放军) upon prior coordination between MOFCOM and MOF.

Concessional Loans (*youhui daikuan* 优惠贷款) of the China Export-Import Bank (*Jinchukou yinhang* 进出口银行)

Foreign aid concessional loans, introduced in 1995 as an instrument of using aid to promote foreign trade and investment, were provided by the China Export-Import (Exim) Bank. The Exim Bank was responsible for reviewing proposed loan projects, signing loan agreements, giving out loans, post-loan management and recovery of loan principles and interests. Typically, loan projects were proposed to the Exim Bank by MOFCOM following negotiations during inter intergovernmental consultations (Huang Meibo 黄梅波 and Hu Jianmei 胡建梅 2009, 37–38). All concessional loan projects had to be approved by MOFCOM. Concessional loans were mainly used for foreign aid joint ventures or complete plants and mechanical and engineering products. Projects could be proposed by Chinese companies or recipient country governments either to the ECCOs or any relevant ministry or commission under the State Council or provincial DOFCOMs. After a preapproval, MOFCOM decided upon the loan project and recommended it to the Exim Bank. Hereafter, the Exim Bank conducted an economic and technical feasibility analysis in coordination with a bank designated by the recipient country government. If the project promised economic benefit, the Exim Bank would sign a loan agreement, wither with the bank designated by the recipient country government or a responsible government department. After the loan agreement was signed, the Exim Bank, together with the bank designated by the recipient country, would select an enterprise to implement the project and oversee the loan cycle. On the Chinese side, the concessional lending involved several departments: MOFCOM and the Exim Bank were the lead administration agencies; the MOF covered the gap between the commercial and concessional interest rate – effectively, this was the only part of the loan that came from the *foreign aid* budget; and the PBOC supervised the operations of the Exim Bank. The annual loan scale was proposed by the PBOC upon coordination with MOFCOM, MFA and the Exim Bank and submitted to the State

Council for final approval. When a concessional loan project was approved, there would be a project tender. Then, MOFCOM would involve local departments of commerce to assess the credit rating of applying enterprises. When projects were implemented by provincial SOEs, MOFCOM involved provincial departments of commerce in the inspection and acceptance of turn-key projects and the inspection of major engineering projects.

Chinese Contracting Companies

Chinese foreign aid projects were implemented by Chinese companies. In order to be allowed to participate in foreign aid project tenders, companies needed to apply for accreditation as “Foreign Aid Enterprise” (*Yuanwai xiangmu shishi qiye* 援外项目实施企业), with the accreditation process administered by MOFCOM’s AIECO, as outlined above. Accredited companies were invited to bid for project implementation. Chinese companies could also directly propose projects to the Economic and Commercial Counsellor’s office in the recipient countries or by lobbying MOFCOM and the Exim Bank. Interview based studies point to an almost intimate relationship between MOFCOM and contracting companies (e.g. D. Zhang and Smith 2017, 2334), which corresponds to my own observations while working for German aid in China. The Ministry of Commerce understood its role mainly as promoting Chinese enterprises “going global”. All overseas activities by Chinese enterprises, not only aid, have to be approved by MOFCOM. Denghua Zhang, a former Chinese diplomat, notes that when diplomatic problems arose, MOFCOM frequently siding with Chinese contractors (D. Zhang and Smith 2017, 2334). At the same time, MOFCOM staff has privately admitted that they have only limited control over the conduct of Chinese enterprises overseas. The conduct was considered of great concern, as can be deduced from several government-linked publications. A report by the ECCO in Nigeria, posted on its and MOFCOM’s website, accused Chinese enterprises of “excessively pursuing profit maximisation, lack of understanding and respect for the local culture, and neglect of public welfare activities” (过分追求利润最大化, 缺乏对当地文化的研究和尊重, 疏于参加公益活动) (ECCO Nigeria 驻尼日利亚经商参处 2007). They refused to hire local staff, did not invest enough in the training of the local staff they employed, and “had a racist attitude towards black people” (对黑人抱有种族歧视态度). Their behaviour “not only damaged the interests of Nigerian people and government, but also had a bad impact on the image of China and Chinese enterprises in Nigeria” (既损害了尼日利亚民众和政府的利益, 更对我国和我国企业在尼日利亚的形象造成恶劣影响).

3.3.2 Decades of Policy Experimentation – And Counting

While it is difficult to say whether the visit of the OECD-DAC delegation to China and the repeated request by DAC donors for more information and transparency served as a trigger, in October 2008, the Chinese government undertook a step to improve the coordination within the foreign aid system. A new “Foreign Aid Inter-Ministerial Coordination Mechanism” (对外援助部际联系机制) was established, involving the 24 central level ministries and agencies, and with MOFCOM assuming the position of the “chair” (*zhuren danwei* 主任单位), and MFA and MOF of vice-chairs (*fuzhuren danwei* 副主任单位). As I will show in chapter 3.4, in 2010, China’s top leadership decided that the foreign aid system was facing substantial challenges owing to its fragmentation. However, before I proceed, I would like to put forward a few thoughts on why the system turned out to be so complex and fragmented.

Huang Meibo 黄梅波, considered one of China’s leading foreign aid scholars, argues that since 1995, China’s foreign aid management system has been in a continuous state of reform (援外管理体系改革自 1995 年以来就从未停止过) (Hu Jianmei 胡建梅 and Huang Meibo 黄梅波 2012b, 79). As outlined in chapter 2, the 1995 reform consolidated administrative decision-making in MOFTEC’s Department of Foreign Aid. It also introduced concessional loans to facilitate the integration of aid with trade and investment and turn aid into a tool supporting the “going global” of Chinese enterprises – established the China Exim Bank to manage the loans. However, as has been highlighted by Huang and other Chinese scholars (Huang Meibo 黄梅波 and Hu Jianmei 胡建梅 2009, 38; Huang Meibo 黄梅波 and Ren Peiqiang 任培强 2012, 84), at that time, no corresponding legal system was established to regulate how the different departments under the State Council should work and coordinate with each other. Instead, foreign aid was administered mainly by a number of normative documents (*guifan wenjian* 规范文件) and departmental regulations (*bumen guizhang* 部门规章), which were gradually introduced, as needed, to regulated specific workflows. This means that the foreign aid administration system was subsequently adjusted and re-adjusted “on the go”. I argue that this piecemeal approach was the result of a deliberate policy choice (called “experimentation” by Sebastian Heilmann), which in my reading can be inferred from the last part of Foreign Trade and Economic Co-operation Minister Wu Yi’s speech at the 1995 Foreign Aid Work Conference announcing the new integrated approach to foreign aid:

Certainly, there will be difficulties and problems in reforming foreign aid, and there are still some concrete problems in the new foreign approach that need to be solved. [Yet], we have to adapt to

the changing situation and dare to practice and blaze a new trail that suits both China's and the recipient countries' national conditions.

改革援外工作肯定会遇到这样或那样的困难和问题，推行新的援外方式还有一些具体问题有待解决。我们要适应形势的变化，勇于实践，走出一条既适合中国国情，又适合于受援国国情的新路子来。

(Qi Guoqiang 齐国强 1995, 5)

By calling upon the various foreign aid stakeholders “to adapt to the new situation” (适应形势的变化), “to dare to practice” (勇于实践) and “to blaze a new path” (走出一条新路子), Wu Yi declared that the foreign aid system would be innovated through implementation.

Policy experimentation through implementation is a distinct mode of reform governance in China. As argued by Sebastian Heilmann (2008, 2018), it can be understood as a crucial mechanism in China's economic policy. Heilmann (2018, 77–78) writes that in rule-of-law systems, the conventional model of the policy process (taken for granted by jurists, economists, and political scientists in rule-of-law systems) assumes that policy analysis, formulation and embodiment in legislation precede implementation. The (otherwise authoritarian) Chinese party-state, on the contrary, has often pursued loosely institutionalised experimentation to innovate through implementation first and then later draft universal laws and regulations (ibid.). Heilmann explains the roots of the policy experimentation with the CCP's revolutionary past: “the formative revolution-era experience of the CCP [...] legitimated developing policy by ‘proceeding from point to surface’ and implementing policy ‘in accordance with local circumstances’” (p. 79). One central characteristic of policy experimentation, according to Heilmann, are provisional regulations, or “quasi-law”, which are marked as *zanxing* 暂行 “provisional” or *shixing* 试行 “experimental” in their titles, signifying that they are open for policy modification and will be finalised only after obtaining sufficient experience during the trial period (p. 81, 90).

In the case of Chinese foreign aid, nearly two-thirds of legal provision issued between 1995 and 2010 was provisional. Figure 11 lists all legal provisions and official notes on foreign aid administration (except for enterprise-specific notes that I did not consider relevant in this context) issued between 1995 and 2010 and accessible through the *Beijing falü xinxi wang* 北京法律信息网 (*China Law Info*) database, which archives all publicly accessible legal documents of the PRC and is maintained by the Law Faculty of the Peking University. (The year 1995 is the starting point policy experimentation for the integrated foreign aid approach;

the year 2010 is the year of the National Foreign Aid Work Conference of 2010, which marked the starting point of a new round of reforms, I will analyse in the remaining part of this thesis).

Figure 11 Legal provisions and official notes on foreign aid administration (1995-2010)

Year	Authority	Title	E/P*
1996	Exim Bank	Interim Measures of the Export-Import Bank of China on Handling the Business of Foreign Concessional Loans on Behalf of the Chinese Government 中国进出口银行办理中国政府对外优惠贷款业务暂行办法	yes
1998	State Commodity Inspection Bureau; MOFTEC	Measures for the Administration of Inspection of Foreign Aid Materials (experimental) 对外援助物资检验检疫管理办法(试行)	yes
1998	MOF	Measures for the Administration of Budgetary Funds for Foreign Aid Expenditures 对外援助支出预算资金管理暂行办法	no
1998	MOFTEC; MOF	Measures for the Administration of the Foreign Aid Joint Ventures and Cooperative Projects Fund 援外合资合作项目基金管理办法	no
1999	MOFTEC; MOF	Detailed Implementation Rules for the Fund Management of Foreign Aid Joint Venture Projects 援外合资合作项目基金管理办法实施细则	no
1999	MOFTEC General Office 对外贸易经济合作部办公厅	Notice on the Implementation Opinions of the State Council on Encouraging Enterprises to use the Foreign Aid Joint Ventures and Cooperative Projects Fund and Foreign Aid Concessional Loans to Carry Out Overseas Processing and Assembly Business 关于贯彻落实国务院关于鼓励企业利用援外优惠贷款和援外合资合作项目基金开展境外带料加工装配业务意见的通知	no
1999	MOFTEC; State Administration for Entry-Exit Inspection and Quarantine	Notice on Further Strengthening the Inspection and Management of Foreign aid Materials 关于进一步加强对外援助物资检验检疫管理有关事宜的通知	no
1999	MOFTEC; State Bureau of Quality Technical Supervision	Notice on the Implementation and Strengthening of ISO9000 Quality System Standards for Foreign Aid Projects 关于落实和加强对外援助工程贯彻 ISO9000 质量体系标准工作有关事宜的通知	no
1999	State Administration of Taxation	Notice on Tax Issues Related to Foreign Aid Exported Goods 关于援外出口货物有关税收问题的通知	no
1999	State Administration on Foreign Exchange; MOFTEC	Notice on the Foreign Exchange Administration of Foreign Aid Projects 关于援外项目外汇管理有关问题的通知	no
1999	State Administration on Foreign Exchange	Operating Rules for Foreign Exchange Management in Foreign Aid Processing and Assembly Projects 境外带料加工装配项目、援外项目外汇管理操作规程	no

* Experimental/provisional

12	2000	Exim Bank	Interim Measures of the Export-Import Bank of China on Foreign Concessional Loans 中国进出口银行对外优惠贷款暂行办法	yes
13	2000	Exim Bank	Provisions of the Export-Import Bank of China on Post-lending Administration of Foreign Preferential Loans 中国进出口银行对外优惠贷款贷后管理规定	no
14	2001	MOFTEC, MOF	Measures for the Administration of Remuneration and Treatment of Foreign Aid Personnel 援外出国人员生活待遇管理办法	no
15	2003	MOH	Measures for the Administration of Foreign Medical Aid Workers (experimental) 援外医疗工作人员管理办法(试行)	yes
16	2003	MOFTEC; Certification and Accreditation Administration	Notice on the establishment and experimental implementation of principles to assess the gravity of non-compliance with the ISO9000 quality management system standards in foreign aid projects 关于制定和试行对外援助工程贯彻 ISO9000 质量管理体系标准严重不符合项判定原则的通知	yes
17	2004	MOFCOM	Measures for Accreditation of Qualifications of the Enterprises Undertaking the Construction of the Complete Foreign Aid Projects (experimental) 对外援助成套项目施工任务实施企业资质认定办法 (试行)	yes
18	2004	MOFCOM	Measures for Accreditation of Qualifications of the Enterprises Undertaking Foreign Aid Material Projects (experimental) 对外援助物资项目实施企业资质认定办法 (试行)	yes
19	2004	MOFCOM	Provisional Measures for the Selection and Management of Foreign Aid Youth Volunteers 援外青年志愿者选派和管理暂行办法	yes
20	2004	MOFCOM	Notice on matters related to the qualification determination of enterprises for the implementation of foreign aid projects 商务部关于对外援助项目实施企业资质认定有关事宜的通知	no
21	2004	MOFCOM	Notice on Requesting Assistance in Assessing the Qualification of Foreign Aid Implementing Enterprises 关于请协助做好对外援助项目实施企业资质认定工作的通知	no
22	2004	MOFCOM	Notice on the open recruitment of experts for the evaluation of foreign aid projects 关于公开征聘对外援助项目评审专家的通知	no
23	2006	MOFCOM	Provisional Measures for the Administration of Foreign Aid Materials Projects 对外援助物资项目管理暂行办法	yes
24	2006	MOFCOM	Measures for the Administration of the Work Safety of Complete Foreign Aid Projects (experimental) 对外援助成套项目安全生产管理办法 (试行)	yes
25	2006	MOFCOM	Provisions of the Ministry of Commerce on the Publicity and Questioning of the Bidding Results of Foreign-aid Projects (experimental) 商务部关于对外援助项目评标结果公示和质疑处理的规定 (试行)	yes
26	2006	General Office of the CPC Central Committee of the Communist Youth League 共青团中央办公厅	Provisional Measures on the Recruitment and Training of Foreign Aid Youth Volunteers 援外青年志愿者招募、培训(暂行)办法	yes
27	2007	MOFCOM	Notice on Strengthening of the Management, Filing and Registration of Personnel for Turn-key Projects 关于加强援外成套项目人员管理实施备案登记有关工作的通知	no

28	2007	MOFCOM DFA	Supplementary notice on the Matters related to the record and registration of experts in the management of turn-key foreign aid projects	no
29	2007	MOFCOM General Office 商务部办公厅	商务部对外援助司关于对外援助成套项目管理专家备案登记工作有关事宜的补充通知	no
30	2008	MOFCOM MOF	Notice on the use of foreign aid building signs 关于启用对外援助建筑物标识的通知	yes
31	2008	MOFCOM	Notice on printing and distributing the "Internal interim provisions on the standard of collection of construction supervision fees for turn-key foreign aid projects" 关于印发《对外援助成套项目施工监理取费标准内部暂行规定》的通知	yes
32	2008	MOFCOM	Measures for the Administration of turn-key Foreign Aid Projects (experimental) 对外援助成套项目管理办法（试行）	yes
33	2008	MOFCOM	Measures for the Administration of the Use of the Foreign Aid Logo (experimental) 对外援助标识使用管理办法（试行）	no
34	2008?	MOFCOM DFA	Implementation Rules for Financial Management and Financial Settlement of Foreign Aid Trainings 援外培训财务管理与结算实施细则	yes
35	2008	MOFCOM DFA	Provisional inner-departmental Measures for the Implementation of Administration of Engineering Design Supervision for Turn-key Foreign Aid Projects (experimental) 对外援助成套项目工程设计监理实施管理内部暂行办法(试行)	no
36	2008	MOFCOM DFA	Notice on the "Instruction manual for the design and supervision of turn-key foreign aid projects" 关于领取《援外成套项目设计监理工作指导手册》的通知	no
37	2008	MOH	Notice on the on matters related to the archival filing of experts in the management of turn-key foreign aid projects 关于援外成套项目管理专家备案工作有关事宜的通知	yes
38	2009	MOH	Interim Provisions on the Selection and Training of Foreign Medical Aid Personnel Before Going Abroad 援外医疗队员选拔和出国前培训暂行规定	no
39	2010	MOFCOM	Measures for the Administration of the Use of the Foreign Aid Medical Team Logo 援外医疗队标识使用管理办法	no
40	2010	MOFCOM	Measures for financial management of turn-key Foreign Aid Projects 对外援助成套项目财务管理办法	no
			Notice on the issuing of the "Foreign-aid Project Emergency Response Plan" 关于印发《援外项目突发事件应急预案》的通知	

I found 40 relevant documents, issued by the MOFTEC/MOFCOM, the Ministry of Finance, the Ministry of Health, the Exim Bank, the Commodity Inspection Bureau (*Guojia shangjian ju* 国家商检局), the State Bureau of Quality Technical Supervision (*Guojia zhiliang jishu jian du ju* 国家质量技术监督局), the State Administration of Taxation (*Guojia shuiwu zongju* 国家税务总局), the State Administration for Entry-Exit Inspection and Quarantine 国家出入境检验检疫局, the State Administration on Foreign Exchange (*Guojia waihui guanli ju* 国家外汇管理局), the Certification and Accreditation Administration (*Guojia renzheng renke jian du guanli weiyuanhui* 国家认证认可监督管理委员会), and the General Office of the CPC Central Committee of the Communist Youth League (*Gongqingtuan zhongyang bangongting* 共青团中央办公厅). Of the 40 documents, 30 are departmental regulations; “administrative measures” (*guangli banfa* 管理办法) and “provisions” (*guiding* 规定) – marked in white in Figure 11; and 10 other relevant official notes – marked in grey in Figure 11. Of the 30 departmental regulations, 17 are experimental or provisional. Of the non-provisional measures, most concern the administration of budgetary funds for foreign aid expenditures, which suggest that given the general character of accounting as subject matter, no experimentation was needed. Many project areas apparently remained unregulated for a long time: for turn-key projects, which constituted the main part of Chinese foreign aid, Administrative Measures were passed only in 2008. According to Huang Meibo (2007), in 2003 an attempt to draft a comprehensive law, when MOFCOM’s Legal Department officially launched the drafting of the “Regulations on China’s Foreign Aid” (*Zhongguo duiwai yuanzhu tiaolie* 中国对外援助条例), with the explicit objective to strengthen foreign aid management and to bring all hitherto existing regulations under one roof. However, as of 2020 now aid law has been enacted.

The Chinese Africa scholar He Wenping (2011) described this piecemeal approach as “learning by doing” (*bian gan bian xue*), indicating that legislation was enacted whenever something needed to be regulated. While Chinese scholars treat 1995 as a milestone for the beginning of policy experimentation in Chinese foreign aid, I would suggest that one could equally argue that Chinese aid has been undergoing reform and policy experimentation since 1982. After the first foreign aid reform of 1982, the Deputy Director-General of MOFCOM’s pre-predecessor MOFERT’s Economic Co-operation Department (*Jingji hezuo si* 经济合作司), Qian Guo’an 钱国安 (1984), stated on the future of Sino-African co-operation under the new “Four Principles of Economic and Technical Co-operation” that how to put them into practice is “yet to be explored and developed jointly with African countries” (尚有待我国同非洲国家一起

来努力探索和发展). The call to “explore” (探索), which is synonymous with Wu Yi’s call to “dare to practice” (勇于实践) in 1995, are typical examples of calls to experimentation in Chinese politics. However, regardless of whether one defines 1995 or 1982 as the starting point for policy experimentation in Chinese foreign aid, one arrives at the same conclusion: By 2010, China, which was estimated to be among ten of the world’s largest donors, was operating its foreign aid with a system that had not been substantially updated since 1995 – and an amount of staff is responsible for foreign aid in MOFCOM’s Department of Foreign Affairs, that had not been increased since its inception in 1982.

3.4 Response to Which Stimulus?

3.4.1 Public Opinion Matters in China, too

The massive international interest and criticism from 2006 onwards appear to have taken the Chinese government by surprise. The dominant views in Euro-American media outlets and the concerns raised by Western aid scholars strongly contradicted Chinese self-perceptions. First, there was the pride of the long history of aid giving and the belief that China was sharing its development success story. Second, Chinese leaders wanted the world to perceive China as a *fuzeren daguo* 负责任大国 a “responsible great power”¹²⁷, and Chinese aid to be positively recognised by developing and developed countries alike. Officially, the Chinese government objected to the Western criticism of its development assistance. In meetings with DAC donor representatives, DFA officials argued that China’s aid projects were always based on partner country demands, that China never forced countries to repay their debt, although there was an awareness of the potential problems associated with debt, and that China’s approach to aid was informed by China’s own development experience (Anonymised Sources AS-4; AS-10; OECD 2007). In English language media outlets of the Communist Party, government officials and academics from government-affiliated think tanks responded to critique and accusations raised

¹²⁷ The term *fuzeren daguo* 负责任大国, “responsible big country”, is derived from the term *responsible stakeholder*. It was originally coined in 2005 by Robert Zoellick, then US Deputy Secretary of State in Remarks to the National Committee on U.S.-China Relations, “Whither China: From Membership to Responsibility” (Zoellick 2005). It prompted a debate on how to define criteria for responsible stake-holding and whether China was meeting them. This led to a major debate in Chinese policy circles, with Chinese government leaders and diplomats frequently using the term in policy documents and speeches. For analyses of the Chinese debate, see, e.g. Scott (2010), Zhao Suisheng [赵穗生] (2013) and Chen Zhimin 陈智敏 (2009).

in European and U.S. media. For example, Wang Shichun 王世春, Director General of the DFA, was quoted by news agency *Xinhua* 新华 on Chinese foreign aid to Africa, saying that China did not attach conditions to its development assistance because it was a developing country. It did not try to “contradict or to frustrate the efforts of traditional donors” like the Organization for Economic Co-operation and Development (OECD) and the Paris Club members; it was following “a different approach” (Yan Liang 2008). He Wenping 贺文萍 (2007), one of China’s most prominent Africa scholars based at CASS, wrote in the *China Daily* that “Chinese aid and loans to Africa are much smaller in sum than those from Western countries” and therefore would not cause a debt crisis. On the contrary, she argued, “Chinese aid, investment and economic co-operation with African nations have contributed significantly to the strong rebound of the African economy in recent years”. She pointed to the responsibility of “Western creditor nations and monetary institutions” in the heavy borrowing of African countries in the 1960s and 1970s. To counter the narrative that China was a “new” donor, she pointed to the long history of Chinese foreign aid to Africa, highlighting that “China started providing aid to Africa in 1956” and thus implying that China has been an aid provider to Africa for a longer time than many Western countries. Contrary to aid from the West, she argued, “African countries do not have to sacrifice their sovereignty and dignity in acquiring these loans and aid. So, African nations widely favour Chinese aid and credits”.

Nevertheless, the critique entered the Chinese foreign aid *system* (Luhmann 2011) at a point when the experimental policy pursuit since 1995, as outlined in the previous section, began to show its limits. Many of the concerns raised by outside critiques, such as lack of aid data transparency and the resulting lack of clarity regarding aid effectiveness, were shared by many Chinese policymakers and aid scholars. The issue of aid effectiveness – in terms of ensuring that government funds are used effectively – became more pressing after the Global Financial Crisis of 2008-2009 (which led to a decline in economic growth) and the 2008 Sichuan Earthquake. Particularly as the Chinese public was increasingly scrutinising the continuously rising foreign aid spending, given that China itself struggled with many development issues domestically (Economy and Zha Daojiong 查道炯 2014). After the earthquake in 2008, users on Chinese social media posted that China should not give aid to Africa but instead divert the foreign aid funds to Sichuan (Branigan 2013).

One (later but representative) example of the domestic dissent in an image that went viral on Chinese social media in November 2011, representing the netizens' accumulated dissent with the foreign aid policy (Figure 12).¹²⁸ It showed a girl and a boy with halos, saying:

Girl: Let's get reincarnated in Macedonia for our next lives? 我们投胎去马其顿吧?

Boy: Sure. There we can finally ride our motherland's school bus! 好啊, 在那里就能做到祖国的校车了!

Figure 12 Image Criticizing Chinese Buses Donation to Macedonia in 2011



Source: Twitter

In 2011, the Chinese government donated 23 buses to Macedonia. Within a few days of the official reporting on the handing over of the buses by the Chinese ambassador to Macedonia, over 500,000 users had posted critical comments on the Chinese microblog *Sina Weibo*. The outrage was provoked by the fact that 19 school children died in a bus accident in China two

¹²⁸ It's been mostly censored on the Chinese internet (except for repost), but it still accessible under the original date on Twitter (Biantai lajiao 变态辣椒 RebelPepper (@remonwangxt) 2011).

weeks earlier, shedding light on the poor safety of Chinese school buses (Sina 2011). Such a critique was and still is widespread, though it is not easy to track as it is usually quickly censored. A rare example that is still online is the comments section on the website of the party newspaper *Renmin Ribao* (*People's Daily*) under the second white paper on *China's Foreign Aid* of 2014 (Renmin wang 人民网 2014). The comments read:

Improve the lives of the common people here. To allow you own common people to live in dignity would be the biggest political achievement!

改善本国老百姓的生活，让自己的老百姓生活的有尊严就是最大的政治！

Foreign aid serves political motives. Of course, normal aid should be given. The question is, is it possible to give them a little bit less and give more support to our common people so that they can have a little better, a more dignified life?

外援是为了政治需要，正常的外援是应该的，问题是能不能给他们少一点，好好给咱们的老百姓补贴一点，让我们的老百姓活的更好一点，更有尊严

Would be better to have fewer such reports. Makes me really angry! How many sick people do not receive attention? How many are poor because of student loans? How many are slaves to mortgage? [The government] can't afford to pay pensions, but here it's rubbing salt in those people's wounds.

这种报道最好少报道，看着生气，有多少看不起病，因学致贫，房奴，交不起养老金你是给这些人伤口撒盐吗？

Don't think that those common people do not understand the official newspeak. If you were to genuinely and sincerely care for the common people, you would spend less money abroad. Our fellow countrymen are not rich. Spend the money on the common people who need it most. There are so many big and small things to do in this country, aren't these family affairs [meaning, they have priority]? Today you go abroad for a talk, tomorrow he will visit you, in fact, it's all a lot of fun. Take a soft hand, eat...

不要说这些、百姓看不懂的官腔术语，真心实意为百姓，那么就对外少花钱，国人便不富裕，把钱花在最需要的百姓头上，大小国事那有那么多，不和家事一样吗？今天你出国谈，明天他出访，其实都是好玩，拿了手软、吃了口.....

Public dissent with aid giving is indeed nothing unique to China. Aid giving is similarly questioned in countries of the Global North, even the most well-off ones, including Germany. The links between public opinion and foreign aid policies in DAC donor countries have long been the focus of extensive research (see, e.g. the review essay by Milner and Tingley 2013; or analysis of the European opinions on conditionality by Bodenstein and Faust 2017). It has been observed that when there is a financial crisis or a government implements austerity measures, public support for aid spending tends to decline (Glennie, Straw, and Wild 2012; Heinrich, Kobayashi, and Bryant 2016). There is no reason to assume that this should be different for China, even in the absence of an electoral system, particularly considering that

some of China's recipients have a higher GDP per capita than China. A study by Cheng Zhiming and Russel Smith (2014), which tried to identify the determinants of Chinese public opinion on foreign aid based on surveys conducted in 2006 and 2007 (meaning shortly after FOCAC 2006), found that those living in the relatively economically disadvantaged western provinces and provinces with higher poverty rates tended to show less support for the government's aid policy. Though more systematic research on Chinese public opinion on foreign aid giving is needed, it is plausible to assume that after the global financial crisis, which left 26 million out of work (Branigan 2009), the public approval for foreign aid decreased.

International criticism and domestic discontent formed the backdrop for the approaching 60th anniversary of Chinese Foreign Aid in 2010. The Chinese government evidently took the anniversary as an opportunity to try and steer the public opinion to support China's aid giving through an official celebration, with state media employing visual imaginaries and textual representation of Chinese aid that was supposed to generate a sense of pride. The anniversary was commemorated at a high political level with a National Foreign Aid Work Conference which was convened on 14 August 2010 attended by all top leaders including Hu Jintao and Wen Jiabao. A day later, nearly all the space on the front page of the *Renmin Ribao* (*People's Daily*) – as can be seen in Figure 13 – was devoted to the celebrations (RMRB 2010c, 1). Half of the front page was occupied by an article on the conference and the events to commemorate the anniversary (RMRB 2010c, 1). The headline read that “[President] Hu Jintao met with the delegates, and [Premier] Wen Jiabao gave an important speech” (胡锦涛会见与会代表, 温家宝作重要讲话), pointing to the high significance top-leaders ascribed to foreign aid. The only picture on the front page showed the smiling Hu Jintao, Wen Jiabao, Wang Qishan and other top leaders shaking hands, smiling and applauding Aid Work Conference delegates. Of the five other articles that occupied the remaining space of page 1, three more related to foreign aid: One was a long comment on the 60 years of the uniqueness of the Chinese aid model (中国模式独树一帜), headlined “Equality, mutual help and common development” (平等互助 共同发展), which continued on page 2 (RMRB 2010a).

Figure 13 Front page of the Renmin Ribao (People's Daily) on 15 August 2015, commemorating the 60th anniversary of Chinese foreign aid

人民日报

RENMIN RIBAO

人民网 <http://www.people.com.cn>
手机: <http://wap.people.com.cn>

2010年8月
15
星期日
庚寅年七月初六
人民日报社出版
国内统一刊号: CN 11-0085
第2243期(总第1-1)
今日8版

国务院公告

8月15日举行全国哀悼活动

全国和驻外使领馆下半旗志哀,停止公共娱乐活动

为表达全国各族人民对甘肃舟曲特大山崩泥石流遇难同胞的深切哀悼,国务院决定,2010年8月15日举行全国哀悼活动,全国和驻外使领馆下半旗志哀,停止公共娱乐活动。

(新华社北京8月14日电)

全国援外工作会议在京召开

胡锦涛会见与会代表 温家宝作重要讲话

本报北京8月14日电 全国援外工作会议13日至14日在北京召开。

会前,中共中央总书记、国家主席、中央军委主席胡锦涛,中共中央总书记、国家主席、中央军委主席温家宝,分别会见了与会代表。

13日上午,胡锦涛在人民大会堂会见了与会代表。胡锦涛代表党中央、国务院向与会代表致以诚挚的问候,并代表党中央、国务院向在援外工作中作出贡献的同志们表示衷心的感谢。

胡锦涛指出,60年来,我国援外工作取得了巨大成就,为发展中国家和地区人民带来了实实在在的利益,为促进我国与这些国家的关系作出了重要贡献。

温家宝在会前会见了与会代表。温家宝代表党中央、国务院向与会代表致以诚挚的问候,并代表党中央、国务院向在援外工作中作出贡献的同志们表示衷心的感谢。

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温家宝强调,做好新形势下援外工作,要着力提高对外援助水平,增强我国在国际事务中的话语权和影响力,为推动我国与这些国家的关系作出新的更大贡献。



8月13日,全国援外工作会议在北京人民大会堂举行。会前,胡锦涛、温家宝等中央领导同志分别会见与会代表。

新华社北京8月14日电 全国援外工作会议13日至14日在北京召开。会前,胡锦涛、温家宝等中央领导同志分别会见与会代表。

胡锦涛在会前会见了与会代表。胡锦涛代表党中央、国务院向与会代表致以诚挚的问候,并代表党中央、国务院向在援外工作中作出贡献的同志们表示衷心的感谢。

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平等互助 共同发展

本报评论员

作为对外工作的重要组成部分,我国援外事业已经走过了60个春秋。60年来,我国在平等互利的基础上,与广大发展中国家和地区人民建立了深厚的友谊。

60年来,我国援外事业取得了巨大成就,为发展中国家和地区人民带来了实实在在的利益,为促进我国与这些国家的关系作出了重要贡献。

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全国文化体制改革工作会议在青岛举行 李长春作出批示强调以更加扎实更加有力的措施推进文化改革发展

刘云山刘延东出席会议并讲话

新华社青岛8月14日电 8月13日至14日,全国文化体制改革工作会议在青岛举行。会前,刘云山、刘延东分别会见了与会代表。

刘云山在会前会见了与会代表。刘云山代表党中央、国务院向与会代表致以诚挚的问候,并代表党中央、国务院向在文化体制改革工作中作出贡献的同志们表示衷心的感谢。

刘云山指出,60年来,我国文化体制改革取得了巨大成就,为文化事业和文化产业的发展作出了重要贡献。

刘云山强调,做好新形势下文化体制改革工作,要着力提高文化体制改革水平,增强我国在国际文化事务中的话语权和影响力,为推动我国与这些国家的关系作出新的更大贡献。

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李长春参观中国对外援助60周年纪念展

新华社北京8月14日电

8月13日,中共中央政治局常委、国务院副总理李长春参观了在青岛举行的中国对外援助60周年纪念展。

李长春在参观过程中,详细了解了我国援外工作的历程和成就,并对我国援外工作取得的巨大成就表示充分肯定。

李长春指出,60年来,我国援外工作取得了巨大成就,为发展中国家和地区人民带来了实实在在的利益,为促进我国与这些国家的关系作出了重要贡献。

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习近平会见津巴布韦总统穆加贝

本报北京8月14日电

8月13日,国家主席习近平在北京人民大会堂会见了津巴布韦总统穆加贝。

习近平在会前会见了穆加贝。习近平代表党中央、国务院向穆加贝致以诚挚的问候,并代表党中央、国务院向津巴布韦人民表示衷心的感谢。

习近平指出,60年来,我国援外工作取得了巨大成就,为发展中国家和地区人民带来了实实在在的利益,为促进我国与这些国家的关系作出了重要贡献。

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李克强参观中国对外援助60周年纪念展

新华社北京8月14日电

8月13日,国务院总理李克强参观了在青岛举行的中国对外援助60周年纪念展。

李克强在参观过程中,详细了解了我国援外工作的历程和成就,并对我国援外工作取得的巨大成就表示充分肯定。

李克强指出,60年来,我国援外工作取得了巨大成就,为发展中国家和地区人民带来了实实在在的利益,为促进我国与这些国家的关系作出了重要贡献。

李克强强调,做好新形势下援外工作,要着力提高对外援助水平,增强我国在国际事务中的话语权和影响力,为推动我国与这些国家的关系作出新的更大贡献。

跨越灾难 戮力前行

本报评论员

灾难,是苦难的代名词。2010年8月15日,甘肃舟曲特大山崩泥石流灾害,给当地人民带来了巨大的灾难。

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One article reported on the meeting between (then) Vice-President Xi Jinping 习近平 and the President of Zimbabwe Robert Mugabe at the Expo 2010 in Shanghai; it quoted Mugabe thanking China for its support and assistance “to the development of Zimbabwe and other African countries” (对包括津巴布韦在内广大非洲国家发展的支持和帮助) and expressing hope for further strengthening of “friendly co-operation” (友好合作) with China in the future (Du Shangze 杜尚泽 2010). Another one reported on Vice-Premier Li Keqiang’s 李克强 visit to the exhibition marking the 60th anniversary of China's foreign aid (which was also continued on page 2) (RMRB 2010b). The exhibition was hosted in the China World Trade Centre Exhibition Hall (国贸展厅) in Beijing’s trade and finance district *Guomao* 国贸. The website of the Chinese government reported on the exhibition, showing a picture of attending Chinese leaders, e.g. Li Keqiang speaking to young Chinese foreign aid volunteers (Figure 14, upper left photograph). Vice-Premier of the State Council Wang Qishan 王岐山 (wearing a blue shirt) at the opening ceremony, surrounded by applauding Ministers of the three lead foreign aid ministries MOFCOM, MFA and MOF (Figure 14, upper right photograph) (SCIO 2010); Wang Qishan together with the Ministers of MOFCOM, MFA and MOF and other representatives of the Chinese government visiting the exhibition, which evidently showed pictures from the – long – history of Chinese aid (Figure 14, lower photograph) (ibid).

Figure 14 Commemorative Exhibition



China's Central Television Station CCTV (*Zhongyang dianshitai* 中央电视台) aired a five-part television documentary "60 Years of New China's Foreign Aid" (*Xin Zhongguo yuanwai 60 nian* 新中国援外 60 年) produced jointly with MOFCOM between 13 and 19 August (CCTV 2010; "Xin Zhongguo yuanwai 60 nian" 2010). The documentary, which according to CCTV, had been in the making since 2007, utilised archival material from MOFCOM's foreign aid archives and footage recorded in recipient countries in Africa, Asia and South Pacific. It consisted of interviews with both leading figures in recipient countries and Chinese foreign aid workers, and recordings of foreign aid projects the Chinese government considered to be of the highest-profile, including the infrastructure projects Tanzania-Zambia Railway (*Tan Zan tielu* 坦赞铁路) and China-Pakistan Friendship Highway (*Zhong Ba youyi lu* 中巴友谊路), as well as footage on Chinese medical teams. The titles of the five-part documentary represent the image that the Chinese government wanted to convey to the public: (1) Aid for Development (发展之援); (2) Aid for People's Livelihood (民生之援); (3) Aid for Friendship (友谊之援); (4) Selfless Aid (无私之援); and (5) Harmonious Aid (和谐之援). Except for episode (5), all episode titles are derived from the "Eight Principles" of foreign aid, which are familiar to the reader from my description in chapter 1. The term "harmonious" *hexie* 和谐 refers to Hu Jintao's foreign policy concept of *hexie shijie* 和谐世界 "harmonious world", and replaced the earlier aid connotations of "peace" (*heping* 和平) in foreign aid rhetoric. It represented China's intention for more proactive engagement in international affairs and to assume more international responsibility.¹²⁹ The visual language of the images employed in the documentary, as shown in the selected image in Figure 15, was intended to show that China provided that aid that was truly needed for economic development and social progress: power stations, roads, technical skills, and medical assistance.

¹²⁹ The idea of a *hexie shijie* 和谐世界, "harmonious world", was first proposed by Hu Jintao in 2003 as a foreign policy concept to the domestic discourse on *hexie shehui* 和谐社会, "harmonious society". It became the defining foreign policy discourse under Hu, signalling China's intention for more proactive engagement in international affairs and assuming more international responsibility – which is why it is mentioned in connection with foreign aid and the MDGs. Against the broader context of Chinese foreign policy, it represented a departure from Deng Xiaoping's ideas of *taoguang yanghui* 韬光养晦, literally "hiding one's capacity while biding one's time" and *budangtou* 不当头, "not seeking to lead", which saw China as a passive participant in the international order. See Zheng Yongnian [郑永年] and Tok Sow Keat (2007).

Figure 15 “60 Years of New China’s Foreign Aid” Documentary

Hydroelectric power plant in
Kathmandu



Rattan weaving factory in Egypt



China-Pakistan Friendship Highway



Foreign Aid Medical Team



The CCTV described the documentary as “the first time that the magnificent development course of the past 60 years of foreign aid work under the guidance of four generations of new China’s leaders was comprehensively, truthfully and systematically presented on television” (第一次用电视的手法，全面、真实、系统地反映了在新中国四代领导人的指引下，援外工作所走过的 60 年波澜壮阔的发展历程). In fact, the 60th anniversary celebrations of Chinese aid were the first time that the Chinese government constructed a comprehensive narrative about Chinese foreign aid and presented it to the Chinese public through various media channels as one *story*. The preparations for the documentary obviously began after the onset of the international criticism following FOCAC 2006, but in 2010 – i.e. after the Sichuan earthquake and the global financial crisis – it was used together with print and online articles to establish a *master narrative* that would dominate official communication on foreign aid from then on. The following excerpt of the *Renmin Ribao* article “Equality, mutual help and common development” (*Pingdeng huzhu, gongtong fazhan* 平等互助，共同发展), which appeared on the front page to commemorate the 60th anniversary, represents the *master narrative*, to which I will provide interpretation:

For 60 years, while committed to its own development, China has provided selfless aid to other developing countries to the best of its abilities. This has deepened China’s friendly relations with other developing countries and set a model example for South-South Co-operation.

60 年来，我国在致力于自身发展的同时，坚持向其他发展中国家提供力所能及的无私援助，加深了中国与广大发展中国家的友好关系，树立了“南南合作”的典范。

China was providing foreign aid as a *developing* country. Its aid-giving was a case of horizontal “South-South Co-operation” – implying that it was different from the vertical “North-South Co-operation” of the “Western” countries.

“To achieve success, one should let others succeed as well.” In these 60 years, China has helped recipient countries build and develop their national economies, improve people’s livelihood, and promote social progress through construction projects, debt relief, technical co-operation, provision of material goods, and personnel training. The fruitful results have been witnessed by the world and are respected and trusted by developing countries. Through foreign aid, China has developed and consolidated friendly relations with the recipient countries, made friends with a group of all-weather friends from developing countries, and won their firm support in the international community. The history of China’s foreign aid is the history of equality, mutual assistance, common development and deepening friendship with other developing countries.

“己欲立而立人，己欲达而达人。”这 60 年，我国通过援建项目、减免债务、开展技术合作、提供一般物资、加强人才培养等多种方式，帮助受援国建立和发展民族经济、改善民生状况、促进社会进步，成果丰硕，举世见证，受到广大发展中国家的尊重和信赖。在对外援助过程中，我国发展并巩固了与受援国的友好关系，结交了一批全天候的发展

中国国家朋友，在国际社会中赢得了他们坚定的支持。可以说，我国的援外史，就是一部与其他发展中国家平等互助、共同发展、加深友谊的历史。

The stated objectives of Chinese aid, namely “building and developing their national economies, improving people’s livelihood and promoting social progress” (帮助受援国建立和发展民族经济、改善民生状况、促进社会进步) were the same objectives the Chinese government defined as China’s domestic development priorities. This gave context to the idea that China was sharing its development success with other developing countries. The remark that Chinese aid was widely recognized by recipient countries and the world was a response to doubts possibly caused by the international critique of the Chinese aid approach. Foreign aid was a diplomatic tool that helped China secure its international standing – and thus, the Chinese needed to continue to give aid to ensure its status. Hereby, China was continuously following its own aid model – and it was now the right one to respond to global challenges:

Much has changed in those 60 years, but foreign aid never stopped. [...] China’s sincere aid has shown the world the responsibility of a major developing country.

In 60 years, China has developed its own model of foreign aid. It is guided by the spirit of the “Eight Principles of Foreign Aid”. [...]

Now, the world’s multipolarity and economic globalization are undergoing profound changes. The international financial crisis has a deep impact on the world’s political and economic patterns. Global problems such as climate change, food security, energy and resource security, environmental pollution, major natural disasters, major infectious diseases are becoming more prominent. The imbalances in international economic development are becoming increasingly serious. The gap between the rich and the poor continues to widen. The patterns of international assistance are changing significantly, and the external environment for China’s foreign aid is becoming increasingly complicated.

It is a new time and a new journey. China still faces daunting development tasks, but its sense of mission in foreign aid has never changed.

[...] As a responsible country, China’s foreign aid is open and consistent with the UN Millennium Development Goals.¹³⁰ [...] we are willing to work together with the international community to make due contributions to building a harmonious world so that the 21st century will truly become a “century of development for all”!

60 年风云变幻，对外援助从未间断。[...] 中国的真诚援助，让世界看到了一个发展中大国的担当。

¹³⁰ The Millennium Development Goals (MDGs) were adopted in the year 2000 through the Resolution 55/2 of the UNGA called the “United Nations Millennium Declaration”, which stressed the promotion of human development through poverty eradication (UNGA 2000). In 2015, they were succeeded by the Sustainable Development Goals, adopted in the Resolution 70/1 of the UNGA (United Nations 2015).

60 年援外之路，“中国模式”独树一帜。这就是以新中国成立初期提出的“对外援助八项原则”精神为指导[...]

新时期，新征程，我国自身面临的发展任务依然十分艰巨，但对外援助的使命感从未改变。60 年对外援助的伟大实践和 30 多年改革开放的辉煌成就，为开创援外工作新局面打下了坚实基础和保障。我们要深入贯彻落实全国援外工作会议精神，高举和平、发展、合作的旗帜，奉行互利共赢的开放战略，从我国国情出发，量力而行、尽力而为，进一步加强和改进新形势下的对外援助工作，不断巩固和发展同发展中国家的友好关系。作为一个负责任大国，我国的对外援助是开放的，与联合国“千年发展目标”是一致的。在人类社会追求文明进步与和平发展的时代大潮里，我们愿同国际社会一道努力，为共建和谐世界做出应有的贡献，使 21 世纪真正成为“人人享有发展的世纪”！

(RMRB 2010a)

In summary, the story went: China has always provided and would continue to provide foreign aid. China's foreign aid approach was unique, and it was a model for South-South Co-operation. It was characterised by historical continuity, adhering to principles established almost half a century ago. It has helped to secure relational power and international standing through “friendship”, and it was recognised by developing and developed countries alike. Therefore, despite the domestic challenges and the global financial crisis, there was no other way but to continue giving aid – because this is what China had always done, regardless of any changes that occurred. Under the new proactive foreign policy to pursue a “harmonious world” by giving foreign aid, China contributed to the global agenda of the Millennium Development Goals, shaping the response to global challenges and showing that it was a responsible power. This was the message the Chinese government was sending to the Chinese public.

Though the message was clearly primarily directed at the domestic public, the official English language newspaper of the Central Propaganda Department, the *China Daily*, also ran a special coverage under the headline “China Aid 60th Anniversary” to counter the critical narratives with articles with headlines such as “China committed to spirit of giving” on the history of Chinese foreign aid, “China helps building nations, form lasting friendships” on foreign aid in infrastructure building, “Bringing health, help and harmony” and health and, and “Nurturing nations: China practices global giving” on multilateral assistance (China Daily 2010). At first glance, the *China Daily* and the *Renmin Ribao* coverage of the 60th anniversary looked identical. A closer reading would have revealed that China had initiated a new round of foreign aid reforms.

3.4.2 A Reform Indicator: National Foreign Aid Work Conference

Reading only the headlines of the *Renmin Ribao* frontpage on 15 August 2010 could easily create the impression that its message was to contest the Euro-American critics by showcasing the 60 years of achievements of China's foreign aid model (provided one read the *Renmin Ribao* – which not many do – and provided one read the report on the National Foreign Aid Work Conference, or paid attention to the fact that a foreign aid work conference had taken place). In a system that evolves by policy experimentation and where continuous reform is the norm, National Foreign Aid Work Conferences, I argue, can be regarded as indicators for big shifts and complex reform undertakings.

National Foreign Aid Work Conferences do not take place regularly. Since the beginning of the reform era in 1978, they were convened only twice: In September 1983, after China introduced the “Four Principles of Economic and Technical Co-operation”, and in October 1995, when China introduced concessional loans to integrate aid with trade and investment. At both conferences, the relevant ministries and their provincial subsidiaries were urged to actively contribute to the reform. In 1983, Deng Xiaoping warned the participants that “all departments must undertake the foreign aid tasks set by the central government, this is a political task” (各部门一定要承担中央确定的援外任务，这是个政治任务) (speech quoted in Yang Hongxi 杨鸿玺 and Chen Kaiming 陈开明 2010). In 1995, Wu Yi urged “all relevant departments of the State Council as well as foreign economic and trade commissions at various level to earnestly study the foreign aid work of their respective department and regions” (国务院有关部门以及各级外经贸委要认真研究本部门、本地区的援外工作) (speech quoted in Qi Guoqiang 齐国强 1995, 5). Thus, the conferences obviously served the purpose of bringing all the relevant stakeholders into line.

The 2010 National Foreign Aid Work Conference was only the 9th conference since the founding of the PRC. However, contrary to what the big photograph of the smiling Hu Jintao and the smiling Wen Jiabao greeting the smiling delegates may suggest, the conference was not just convened to celebrate the 60th anniversary of Chinese aid (RMRB 2010c). Rather, as the print of Wen Jiabao's address to the conference participants tells, Wen announced that China was facing “importance and urgency” (重要性和紧迫性) to “strengthen and improve foreign [its] aid work” (加强和改进援外工作). Indeed, the conference signalled the beginning of a new reform cycle. Furthermore, for the first time in the history of China's foreign aid program, the reforms that would follow would attempt to move beyond experimentation and

would try to create a more solid legal and institutional framework. As I was finishing this thesis in 2020, the reforms were still ongoing – two major reforms related to foreign aid administration and development lending will be the focus of chapters 4 and 5. To analyse the National Foreign Aid Work Conference speech by Wen Jiabao offers not only the opportunity to shed light on the issues discussed, criticised and negotiated in China’s domestic aid debate at the beginning of the current reform cycle. It also allows me to present an approach of how to trace reforms as they unfold. Notably, although Chinese aid has become a resource for a growing and increasingly diverse group of scholars, the following reform debate and ensuing reform steps have not received particular attention – except for a few prominent announcements like the publication of the first white paper on Chinese Foreign Aid in 2011. The language barrier may be the reason.

To those who can read – and understand the political codes of – Wen’s speech in the *Renmin Ribao*, it, first of all, offers a detailed account of the issues the Chinese government perceived as problematic in China’s aid system. Furthermore, it lays out a reform roadmap, which – this can be said retrospectively – the Chinese government is still following. Third, it reveals where the Chinese government noticed and possibly responded to external critique. It would be wrong to interpret the reform as triggered solely by external critique (in the sense of the long refuted “stimulus and response” argument by John King Fairbank (Teng and Fairbank 1979), but in addition to other domestic and international factors, it certainly played a role in triggering a debate on the need of more transparency and efficiency.

As my intention is not only to analyse the speech but also to suggest how to trace changes, I will explain how I approach this text before I begin with my analysis. First of all, there is no “rulebook” on how to decode Chinese official communication, though case-based studies such as Michael Schoenhals *Doing Things with Words in Chinese Politics* (1992) or the *China Media Project* commentary series “Watchwords: Reading China Through the Party Vocabulary” (CMP 2012) have contributed significantly to a better understanding of “esoteric communication” (a term originally coined by Myron Rush (1958, 1959) in the late 1950s for the analysis of Soviet politics) in Chinese politics. In my reading, official texts mostly follow a tripartite structure. The first part reproduces the *master narrative*, i.e. the CCP’s official line on a respective subject; it uses the respective *tifa*, the watchwords that are supposed to be used when discussing a particular issue. With the help of popular search engines like *Google* or its Chinese equivalent *Baidu*, it is usually fairly easy to identify the original *master narrative*, if it is not hidden in a *neibu* 内部 “internal” document. The second part of such a document is a

discussion that either praises achievements or analyses uncritical points in the *master narrative*. The third (and last) part of such a document deals with problems. I have observed many texts devoting the second part to praising the Communist Party and/or achievements made with relation to the subject matter at hand - only to begin the third part with “but actually...” and to elaborate why all the things praised in the second part don't actually work and what needs to be done accordingly.¹³¹ Wen Jiabao's speech follows precisely this tripartite structure.

At the beginning of his speech, Wen acknowledges the achievements in 60 years of foreign aid, stating that China had developed its own distinct model of foreign aid, which is grounded in “treating each other with respect and as equals; mutual benefit and common development; giving aid to the best of one's abilities and keeping promises, and employing a diversity of forms and delivering practical results” (相互尊重、平等相待；互利互惠、共同发展；力所能及、重信守诺；形式多样、注重实效). These were the “Four Principles of Economic and Technical Co-operation” introduced in 1982, which themselves had been synergised from Zhou Enlai's “Eight Principles” of 1964 and the then envisioned economic shift which was represented in “diversity of forms and delivering practical results”. Thus, here Wen reaffirms the historical continuity in China's aid model, with principles that had remained unchanged since 1982 and indeed built on principles established even earlier (the reform of 1995 only introduced new instruments to put them into practice better). Through a large number of industrial, agricultural and infrastructure projects, he said, China helped strengthen recipient countries' “self-directed development capabilities” (自主发展能力) – which, as outlined in chapter 2, had been the declared a core objective of China's foreign aid policy from the outset, initially framed as helping countries to achieve “self-reliance” (自力更生). This points present a substantial overlap with the *Renmin Ribao* article “Equality, mutual help and common development” (平等互助 共同发展) analysed above, in chapter 3.4.1 (RMRB 2010), which I identified as the *master narrative*. The same points would be found, for example, in the first white paper on *China's Foreign Aid* published in April 2011 (SCIO 2011a).

¹³¹ I introduce this approach only at this point in the thesis because I did not need it for the texts used in earlier parts of the thesis, as they were less convoluted. This statement applies only to the analysed foreign aid texts. The degree of convolution depends on how “sensitive” a topic is in political terms at a given time. It appears that foreign aid had been a less sensitive topic before the Hu/Wen era and became more sensitive after FOCAC 2006, and even more so after the Sichuan earthquake and global financial crisis of 2008.

Thereafter, however, Wen continues that now the world was undergoing “major developments, changes and adjustments” (大发展、大变革、大调整) – making a reference to the global financial crisis of 2008 and the subsequent global recession, which slowed down China’s growth rate from double digits to a “new normal” (*xin changtai* 新常态) of about 7 per cent. These “new [post-crisis] circumstances” (新形势) presented China’s foreign aid with “new opportunities and challenges” (机遇和挑战) and revealed an “importance and urgency” (重要性和紧迫性) to “strengthen and improve foreign aid work” (加强和改进援外工作), so that aid could better serve “domestic and international interests” (国内国际两个大局). This rationale was quite similar to the one used for the early-mid 1990s reform: the latter was also explained with a new international situation (then the dissolution of the Eastern Block and the end of the Cold War), which presented China with challenges and opportunities, and required a readjustment of foreign aid so that China could better serve domestic and international requirements.

Subsequently, Wen outlines four specific areas, which require “improvement”. Judging by the logic of the text, they are arranged according to the degree of importance.

(1) General structure of foreign aid

The first area concerned the “general structure of foreign aid” (对外援助结构), namely the types of recipients and projects, and the modes of financing and delivery:

The focus of foreign aid should be on the least developed countries, landlocked developing countries and small island developing countries. We must do more of people’s livelihood projects such as hospitals, schools, clean water and clean energy, which benefit a large number of people, are needed in recipient countries and are popular with the local population. We should reasonably manage the scale and the proportions of grant aid, interest-free loans and concessional loans in order to improve the effectiveness of foreign aid funds. While we keep strengthening the traditional modes of foreign aid, we should actively promote their innovation.

援助重点要向最不发达国家、内陆和小岛屿发展中国家倾斜。要多搞一些受援国急需、当地人欢迎、受惠面广的医院、学校、生活供水、清洁能源等民生项目。要合理安排无偿援助、无息贷款和优惠贷款的规模和比例，提高资金整体使用效果。要在巩固传统援外方式的基础上，积极推进援外方式创新。

Wen’s call for channelling more of China’s aid to the least developed countries (LDCs), to landlocked developing countries (LLDCs), and small island developing countries (SIDCs) and into “people’s livelihood projects” (民生项目) presents a reference to the “United Nations Millennium Declaration” and the Millennium Development Goals (MDGs) contained therein (United Nations General Assembly 2000). The MDGs stressed the promotion of human

development through poverty eradication. They called upon donor countries to support the provision of “basic social services” (basic education, primary health care, nutrition, safe water and sanitation) in the most vulnerable countries, namely LDCs, LLDCs and SIDs. Furthermore, the MDGs called upon the developed countries to provide more targeted and more generous ODA to countries committed to poverty reduction and to comprehensively deal with developing countries’ debt to make debt sustainable in the long term. Here, Wen clearly calls for better alignment of Chinese aid with the MDGs; his remark, on the other hand, that “people’s livelihood”/“basic social services” projects were “popular with the local population” (要...当地人欢迎) suggests to me, that he also saw it as a way to counterbalance the international critique. At the UN High-Level Meeting on the MDGs in September 2008, China had already committed to providing assistance in agricultural technology, increase food aid, train 1500 teachers and 1000 doctors in African countries, to build and equip 30 hospitals, and developing 100 small-scale clean energy projects, including small hydropower, solar power and biogas projects (SCIO 2011a Appendix IV). In this context, Wen’s statement that China should “reasonably manage the scale and the proportions of grant aid, interest-free loans and concessional loans” (要合理安排无偿援助、无息贷款和优惠贷款的规模和比例) could be interpreted as a call to increase to the proportion of grant aid to the aforementioned countries to support the MDGs. However, it could also be interpreted as a call for a better selection of projects. Wen’s statement on “improv[ing] their effectiveness of foreign aid funds” (提高资金整体使用效果) suggests that the top leadership believed that foreign aid funds were not used effectively (enough). At this point, I am not entirely sure what “effective” means. However, since the main goal of Chinese aid is to strengthen the recipient’s “self-directed development capabilities”, my guess is that “effectiveness” means to generate economic effects, which in turn enable the recipient to repay the loan. (As I have mentioned earlier, since the 1980s, only a fraction of Chinese aid was provided in grant, the rest were interest-free and concessional loans.) A substantial number of China’s borrowers were not able to service their debt. According to official Chinese statements, by the end of 2009, China had cancelled debts worth 25.6 billion RMB (3.7 billion US-Dollar) to LDCs and Heavily Indebted Poor Countries (HIPC) (SCIO 2011a Appendix VI).¹³² In 2010, China had announced to cancel all

¹³² Nearly all cancellations concerned interest-free loans. Debt was typically cancelled in the year of maturity. Low-interest loans were mostly not cancelled but restructured and rescheduled (see Hurley, Morris, and Portelance 2018; Development Reimagined 2019). For background in debt relief under the Heavily Indebted Poor Countries

outstanding interest-free loans that matured in that year (Ibid.). As discussed in chapter 3, the 1995 reform, which linked aid with trade and investment, was supposed to resolve the problem with unsustainable loans. The debt cancellations prove that the desired reform result was not achieved (though unsustainable loans are not an exclusively Chinese problem).

(2) Quality of foreign aid

The second area identified by Wen as requiring improvement was the “quality of foreign aid” (外援助质量):

We must choose projects on the basis of scientific appraisal, [which presupposes] the [general] improvement of project feasibility assessments. We must standardise project operation procedures and really accomplish that bidding procedures are fair, reasonable and transparent. We must implement classified and dynamic management for foreign aid project implementing enterprises and strive to cultivate a number of high-quality and specialised backbone enterprises. We must establish a long-term mechanism for internal audit and external supervision. We must improve the accountability system for quality and safety and strictly investigate and deal with all kinds of illegal acts in subcontracting foreign aid projects.

要坚持科学论证，选好项目，加强对项目的可行性评估。规范项目操作程序，真正做到招标程序公正、合理、透明。对援外项目实施企业实行分类动态管理，着力培育一批高素质、专业化的骨干企业。建立内部审计和外部监督长效机制。健全质量安全责任追究制度，从严查处援外项目转包、分包中的各类违法行为。

By citing the quality of foreign aid as an area in need of improvement, Wen explicitly admits that there were quality-related problems in Chinese-aided projects. Awareness of quality issues may have been raised through DAC donor reports (e.g. the European Parliament Development Committee report on “China's Policy and Its Effects on Africa” 2008, 22) and complaints from African stakeholders (e.g. in research by the China in Africa Project of the South African Institute of International Affairs (SAIIA) A. Y. Chen 2009; Chileshe 2010). African observers linked Chinese aid to poor quality or safety standards, linking the shortcomings in quality and safety standards to weak quality control in many African countries. Wen’s enumeration of specific points that needed to be improved can conversely be read like a list of systemic problems: Project feasibility assessments were weak, and there was no assurance that projects selected according to scientific criteria. There was no guarantee that foreign aid projects were

(HIPC) Initiative, see the IMF Factsheet (2019). China’s debt relief to HIPCs was provided bilaterally, not in the IMF framework. China had not participated in multilateral debt relief mechanisms. Instead, debt restructuring was negotiated on an ad-hoc basis, typically during high-level intergovernmental meetings between China and recipients (see Hurley, Morris, and Portelance 2018; Development Reimagined 2019).

awarded to best-qualified companies. The project management was not in line with the requirements of the general contractor responsibility system. The most serious problem from a policy oversight perspective, however, was the lack of rigorous audit and supervision mechanisms and a functioning system to hold companies accountable in the areas of quality, safety, and illegal subcontracting. Critically read, the points Wen raised resemble an admission that there was, indeed, a lack of oversight over the operations of Chinese enterprises abroad and that the Chinese government had too little information about and not enough control of the foreign aid project implemented with its state funds.

As discussed in chapter 3.3.1, once in operation, foreign aid projects were visited only twice by the Agency for International Economic Co-operation (AIECO) which was in charge of turnkey projects: once at midterm, and once upon completion. The oversight was with the Economic and Commercial Counsellor Offices (ECCO) in Chinese embassies and consulates for the remaining time. In practice, however, their oversight capacities were limited, as foreign aid constitutes one of many tasks in their portfolio; second, as observed by Brautigam (2009, 109), Economic and Commercial Counsellors are rarely foreign aid experts. According to Hu Jianmei 胡建梅 and Huang Meibo 黄梅波 (2012b), in 2007, MOFCOM tried to implement ex-post evaluation for two large-scale projects, but it became apparent that the system did not have the capacities to handle it. A similar lack of oversight and insufficient information flow can be observed in other areas of China's overseas activities, such as the oil sector. Due to a similar fragmentation of the oversight structure, the MFA and the Chinese embassies on the ground, which are supposed to monitor the Chinese national oil companies abroad, cannot exercise their functions because they are simply not informed about their ongoing activities (Downs 2007). In worst cases, the Chinese government learned of existing problems through Western media coverage.

(3) Strengthening capacities for independent development

The third area identified by Wen as requiring improvement concerns the issue of “strengthening the recipient countries’ capacities for independent development” (增强受援国自主发展能力). This, as I have shown, has all along been the officially defined core objective of Chinese foreign aid:

We must better utilize foreign aid as a door opener and bridge builder. [We must better use it] to encourage and support Chinese companies to invest in recipient countries [in a way that] helps the recipient countries develop national industries, create jobs and improve people's well-being. [Companies] conducting foreign investment [with support of foreign aid] must earnestly comply

with their host countries laws, regulations and customs. They must stick to fair competition, protect the ecological environment, fulfil their social responsibilities and live in harmony with the local people. We must continue to open more markets to recipient countries and create conditions for less developed countries to export a broad range of products to China by means such as preferential tariff treatment. We must further strengthen agricultural co-operation with the recipient countries and let the recipient countries benefit from it through the establishment of Agricultural Technology Demonstration Centres¹³³, the imparting of planting experience and the training of technical personnel. We must broaden the scope of human resources training for recipient countries, enhance the pertinence of training, and improve training effectiveness.

要进一步发挥对外援助铺路搭桥的作用，鼓励和支持我国企业对受援国投资，帮助受援国发展民族工业，创造就业岗位，改善人民福祉。对外投资中要切实遵守所在国法律法规和风俗习惯，坚持公平竞争，保护生态环境，履行社会责任，与当地人民和睦相处。要继续向受援国扩大市场开放，通过减免关税等多种途径，为欠发达国家对中国出口各类产品创造条件。要进一步加强与受援国的农业合作，通过建设规模适当的农业示范中心，传授种植经验，培养技术人员，使受援国从农业合作中受益。要拓宽对受援国人力资源培训的领域，增强培训项目的针对性，提高培训效果。

As stated by Wen, the interlinking of foreign aid with trade and investment after the Foreign Aid Reform Work Conference of 1995 served two purposes: to open the door to Chinese companies to “go global” and to establish their products and presence in developing countries – this was their *economic* task. At the same time, their *political* task was to promote the economic and social development in recipient countries. As Zhou Baogen 周宝根 (2010) of the MOF’s think tank Institute of Fiscal Science (*Caizhengbu caizheng kexue yanjiusuo* 财政部财政科学研究所) explains, if infrastructure, products and technologies provided through China’s foreign aid were not to the benefit of the recipient, then “such aid would hurt the friendly relations between the two countries, and harm China’s political and diplomatic interests, and China’s long-term economic interests” (这种对外援助有违两国友好关系，有违我国政治外交利益，有违我国长远经济利益). This is also what the ECCO in Nigeria mentioned in section 3.3.1 accused the Chinese companies of – not creating local benefit and damaging Chinese interests (ECCO Nigeria 驻尼日利亚经商参处 2007). Internationally, Chinese projects were facing increasing scrutiny: A report by the European Parliament’s Committee on Development on “China’s Policy and its Effects on Africa” (European Parliament 2008, 22), for example, criticised that “Chinese aid and investments are often tied and normally involve Chinese workers”. Consequently, such critique raised the question of

¹³³ The Agricultural Technology Demonstration Centres (ATDC) are introduced in section 3.3.1.

whether, in the end, it was the Chinese companies who benefitted most from Chinese aid, and not the recipient countries (see, e.g. Roy 2017; Syed 2018; Mogilevskii 2019). It is impossible to say whether the Chinese government's concerns about the conduct of Chinese companies were a response to Western criticism or whether they developed in parallel. In any case, Wen's highlighting that aid-implementing enterprises should "help recipient countries to develop domestic industries" (帮助受援国发展民族工业) and "create jobs" (创造就业岗位), and the fact that similar concerns were raised widely, shows that it was an issue of major concern – and that it had been lingering for a long time.

(4) Foreign aid system and mechanisms

The fourth area identified by Wen as requiring improvement was the "foreign aid system and mechanisms 对外援助体制机制". This section, going by the logic of tripartite structure, is the most important and critical one. As I will show in chapter 4, it would become the centrepiece of reform that, as of 2020, is still ongoing. The section reads:

We must improve the system mechanisms of foreign aid and accelerate the construction of a dynamic, effective, and more open foreign aid system and mechanisms. We must further disentangle the foreign aid management system and improve the operating mechanism of foreign aid to guarantee checks and balances in the decision-making, implementation, and supervision. [We must] fully mobilise the local governments' and civilian forces to support the development of the foreign aid cause.

[...] Foreign aid is a complex and systemic undertaking, which requires pragmatic work and close co-operation of all relevant departments on all levels. In order to comprehensively improve our ability to implement and guarantee foreign aid, it is necessary to speed up the foreign aid law-making and promote the institutionalisation, standardisation and juridification of foreign aid work.

要着力完善对外援助体制机制，加快构建充满活力、富有效率、更加开放的援外体制机制。要进一步理顺援外管理体制，健全决策、执行、监督相互制约又相互协调的援外运行机制，充分调动地方和民间力量支持援外事业发展，

[...] 对外援助是一项复杂的系统工程，需要各地、各有关部门的务实工作和密切配合，全面提升对外援助的执行和保障能力。要加快对外援助立法，促进援外工作制度化、规范化和法制化。

While the previous points (1) – (3) raise and discuss various issues related to foreign aid modes of delivery, this part sets the reform agenda for the underlying institutional structure. First, Wen argues that China needs to "disentangle" (理顺) the foreign aid management system, suggesting a prevalence of overlapping functions. The suggestion that there was a need to "improve the operating mechanism of foreign aid, to guarantee the checks and balances in the decision-making, implementation and supervision" (健全决策、执行、监督相互制约又相

互协调的援外运行机制) must be understood as a functional separation between policy-decision making units, implementation units and supervisory units. This statement likely hinted at an ongoing debate within the Chinese leadership about whether to establish a foreign aid agency or a ministry because coordinating a large number of different aid programs was seen as beyond the capacity of MOFCOM. According to Li Anshan 李安山, one of China's most eminent Africa scholars and Professor at the School of International Studies at Peking University, this was debated since 2008 ("Managing Aid Effectively" 2008). Second, he hinted at the public opinion on Chinese aid, suggesting a lack of support for foreign aid both among the Chinese public and among local governments. I already discussed the question of public opinion above (in section 3.4.1) as well as (educational) campaign to mobilise public support. As for the local governments, the Chinese government relied on them to supervise and oversee Chinese SOEs (which was done by local departments of commerce) or to send medical teams – which were put together from the provincial hospital by the provincial health commissions. The weak participation of local governments in the foreign aid cause was, as discussed in chapter 2, by no means a new problem – and already Zhao Ziyang struggled to involve them at the National Foreign Aid Work Conference in 1983 (Zhao Ziyang 趙紫陽 1983b). The main obstacle to close co-operation was, according to Wen, was the absence of a comprehensive legal system that could govern foreign aid work. As I have shown in section 3.3.1, China's foreign aid was governed by a patchwork of mostly provisional departmental rules and regulations. Huang Meibo 黃梅波 and Ren Peiqiang 任培强 (2012) argue that the absence of a comprehensive legal framework was responsible for the highly fragmented state of the China's aid system and its lack of transparency. For them, the inadequate legal framework was one of the causes of the negative perception of Chinese aid in the international community.

Confirmation that Wen's speech at the National Foreign Aid Work Conference set the course for a new round of reforms is provided by an article authored by Commerce Minister Chen Deming 陈德铭 (2010), which appeared in October 2010 in the CCP's leading journal *Qiushi* 求是 (*Seeking Truth*). In that article, headlined "Strive to initiate a new phase in foreign aid work – Thoroughly carry out the spirit of National Foreign Aid Working Conference" (努力开创援外工作新局面 - 深入贯彻落实全国援外工作会议精神), Chen wrote that China was standing at a "new historical starting point" (新的历史起点) and that MOFCOM had to "study hard, understand and implement the spirit of the conference" (认真学习好、领会好、落实好这次会议精神) to open up new prospects for foreign aid.

3.4.3 To Tell the China-Story Well: Foreign Aid White Paper

The first external sign of changes in the foreign aid policy was the issuing of the first White Paper on *Paper on China's Foreign Aid* (*Zhongguo duiwai yuanzhu. Baipishu* 中国的对外援助. 白皮书) in April 2011 (SCIO 2011a). It was the first official comprehensive policy document on foreign aid published by the Chinese government in English; prior to the publication, there was no official information source, nor were there openly accessible information sources – which is why the OECD DAC delegation led by Richard Manning had to travel to Beijing and meet personally with Chinese aid officials in 2007 (as described above, in 3.2.2) to acquire information on Chinese aid.

Consisting of six chapters, the White Paper provided an official overview on China's foreign aid policy, financial resources, forms, distribution and management of foreign aid – and presentation the official narrative on China's aid giving and international co-operation. It described that China provided foreign aid using eight different modes: turnkey projects (*chengtao xiangmu* 成套项目; lit. “complete set projects), goods and materials (*yiban wuzi* 一般物资; lit. “ordinary goods”), technical co-operation (*jishu hezuo* 技术合作), human resources development co-operation (*renli ziyuan kaifa hezuo* 人力资源开发合作), sending of medical teams (*yuanwai yiliaodui* 援外医疗队), emergency humanitarian assistance (*jinji rendao zhuyi yuan* 紧急人道主义援), sending of foreign aid volunteers (*yuanwai zhiyuanzhe* 援外志愿者), and debt cancellation (*zhaiwu jianmian* 债务减免). Foreign aid finance in the form of non-reimbursable grant aid (*wuchang yuanzhu* 无偿援助), interest-free loans (*wuxi daikuan* 无息贷款) coming directly from state finances, and concessional loans (*youhui daikuan* 优惠贷款) provided by the China Exim Bank. (Thus, it described the system as outlined above, in 3.3.1). Furthermore, it listed the major fields of China's foreign aid projects as including agriculture, industry, economic infrastructure, public facilities, education, and medical and health care. To the disappointment of many in the international development community who had been calling upon China to be more transparent about its aid, the White Paper did not disclose much about the institutional structure of Chinese aid or any detailed information on aid flows and country-by-country figures (Provost 2011).

The technical details of the White Paper have been analysed by a number of scholars (e.g. Grimm et al. 2011; Xue Lan 薛澜 2014; Kitano 2014; D. Zhang and Smith 2017). There is, however, one significant aspect of the White Paper that has not received much attention or

interpretation, namely its functional significance of establishing and becoming the official foreign aid *master narrative*. As outlined in 3.4.1, the *master narrative* was first explicitly formulated and presented to the Chinese public in 2010, in response to the lack of support for foreign aid in the Chinese public – and, as it became evident from Wen Jiabao’s speech, also in parts of the government bureaucracy, particularly on the local level. The significance of the White Paper as a *master narrative* was made fairly explicit at the press conference on the White Paper by the State Council Information Office’s (*Guowuyuan xinwen bangongshi* 国务院新闻办公室, SCIO), which took place on 26 April 2011. A ministry-level administrative office under China’s highest administrative authority, the State Council serves as the head information office of the Chinese government, and i.a. issues the Chinese government’s white papers. According to the SCIO, the aim and purpose of the White Paper was to facilitate a better understanding of Chinese foreign aid, both domestically and internationally:

The objective of the first White Paper on “China’s Foreign Aid” is to provide a comprehensive and objective introduction of the basic situation of China’s foreign aid and help all parts of society better understand China’s foreign aid. Through the publication of the White Paper on Foreign Aid, we also hope to introduce and propagandise the basic experiences and the main achievements of China’s foreign aid to the international community and all sectors of the domestic public. Furthermore, [we hope] to demonstrate to the international community that China is committed to the cause of global poverty reduction and development.

我们首次发布《中国的对外援助》白皮书，目的是全面、客观地介绍中国对外援助的基本情况，让社会各界更好地了解中国的对外援助。我们也希望通过发表援外白皮书，向国际社会和国内各界介绍宣传中国对外援助的基本经验和所取得的主要成就，并向国际社会表明中国致力于全球减贫和发展事业的态度和决心。

(SCIO 2011b)

If one reads the above text closely, the primary purpose of the White Paper was not to provide technical details. Its purpose was to *jieshao* 介绍 “introduce” and *xuanchuan* 宣传 “propagandise” the experiences and accomplishments of Chinese aid. The term *xuanchuan* 宣传 is the keyword for “propaganda” in the PRC, though, in official English language translations, it has been replaced with “publicity” or “public diplomacy”. Mareike Ohlberg (2013, 93–94) argues in her dissertation that the SCIO functions as the Office of External Propaganda. Thus, the function of the White Paper appears twofold: domestically, it was supposed to generate support for foreign aid in public opinion; externally it was to *biaoming* 表明 “demonstrate”, meaning to propagate to the international community China’s *taidu* 态度 “attitude” and *juexin* 决心 “determination” to fight poverty and to contribute to development. In order to avoid misunderstanding, I want to highlight here that I do not conclude that this was

“just propaganda” China was not committed to poverty reduction and global development. What I argue is that the function of the White Paper was propaganda/slash public diplomacy, namely to generate sympathy and appreciation for Chinese aid – and not to provide detailed information (the latter probably also, because due to the fragmented structure of the foreign aid system, the information was difficult to collect).

The Preface to this white paper provides the master narrative initially created and presented for the Chinese public in August 2010 to shape public opinion (as I describe in 3.4.1). Its close reading reveals the main principles and references to historical continuities and other relevant policies. The text reads:

China is a developing country. Over the years, while focusing on its own development, China has been providing aid to the best of its ability to other developing countries with economic difficulties, and fulfilling its due international obligations.

In the 1950s, soon after the founding of the People’s Republic of China, although it was short of funds and materials, China began to provide economic aid and technical assistance to other countries, and gradually expanded the scope of such aid. Since China adopted the reform and opening-up policies in the late 1970s, its economy has been developing rapidly, with the overall national strength growing notably. However, China remains a developing country with a low per-capita income and a large poverty-stricken population. In spite of this, China has been doing its best to provide foreign aid, to help recipient countries to strengthen their self-development capacity, enrich and improve their peoples’ livelihood, and promote their economic growth and social progress. Through foreign aid, China has consolidated friendly relations and economic and trade co-operation with other developing countries, promoted South-South Co-operation and contributed to the common development of mankind.

Adhering to equality and mutual benefit, stressing substantial results, and keeping pace with the times without imposing any political conditions on recipient countries, China’s foreign aid has emerged as a model with its own characteristics.

(Official English version published by the State Council Information Office (SCIO) 2011a)

中国是一个发展中国家。多年来，中国在致力于自身发展的同时，始终坚持向经济困难的其他发展中国家提供力所能及的援助，承担相应国际义务。

20 世纪 50 年代，新中国成立后不久，中国在自身财力十分紧张、物资相当匮乏的情况下，开始对外提供经济技术援助，并逐步扩大援助范围。70 年代末中国实行改革开放以来，经济快速发展，综合国力显著提升，但依然是一个人均水平不高、贫困人口众多的发展中国家。尽管如此，中国仍量力而行，尽力开展对外援助，帮助受援国增强自主发展能力，丰富和改善人民生活，促进经济发展和社会进步。中国的对外援助，发展巩固了与广大发展中国家的友好关系和经贸合作，推动了南南合作，为人类社会共同发展作出了积极贡献。

中国对外援助坚持平等互利，注重实效，与时俱进，不附带任何政治条件，形成了具有自身特色的模式。

First, the Prefaces establishes that China is a “developing country” (*fazhanzhong guojia* 发展中国家), as opposite to a “developed country” (*fada guojia* 发达国家), or the “West” *xifang* 西方. Therefore, by extension, in giving aid it was not a “donor” (*yuanzhuguo* 援助国) (He Wenping 贺文萍 2011), but, as stated in the last half-sentence of the second paragraph, was a case of “South-South Co-operation”. It provided aid “to the best of its ability” (*li suo neng ji* 力所能及; lit. “to do everything in one’s power”), which as a term references the aid-giving principle decided upon by the leadership around Deng Xiaoping after 1978 when it re-evaluated the foreign aid policy of the Mao-era (see section 2.1). The statement that helping other developing countries with economic difficulties was a fulfilment of due “international obligations” (*guoji yiwu* 国际义务) represents the earlier theme (of Communist discourse) of “internationalism” (*guoji zhuyi* 国际主义) and repeats earlier statements, such as those of Zhou Enlai (1956) (section 1.4.1) who said after the Bandung Conference that China “understood that economic independence is of major significance for consolidating political independence” and therefore wished “to help the economic development of other countries”, Chen Muhua’s (1982) announcement of the new foreign aid policy, stating that “it is our unshakable internationalist duty to support the people of each country in the Third World” (section 2.3.1), or Zhao Ziyang’s (1983b) admonition at the National Foreign Aid Work Conference of that foreign aid was “the internationalist duty China was bound by” (section 2.3.3).

Next, the Preface explained the history of Chinese aid, stating that it had begun in the 1950s. The context to this, in my view, is the (from China’s point of view) Western debate of China being a “new” or “emerging” donor or OECD DAC attempts to socialise China into the “traditional” development consensus. By referring to the 1950s, the text establishes that China has a longer history of providing aid than many “traditional” donors. Furthermore, by pointing out that despite its economic growth, “China remains a developing country” (依然是一个[...] 发展中国家), the text also establishes why China will not join the DAC development consensus. Instead, the Preface spells out the objectives of Chinese foreign aid, namely “to strengthen their self-development capacity, enrich and improve their peoples’ livelihood, and promote their economic growth and social progress” (帮助受援国增强自主发展能力, 丰富和改善人民生活, 促进经济发展和社会进步). The objective “to strengthen self-development capacity” (增强自主发展能力), as discussed in section 1.1, goes back to Sun Yat-sen’s philosophy of *Minsheng* 民生, “people’s livelihood” and Mao Zedong’s ideology of *Zili gengsheng* 自力更生, which is typically translated as “self-reliance” but means

“regeneration through one’s own efforts”. The Chinese wording of the other objectives, “enrich and improve their peoples’ livelihood, and promote their economic growth and social progress” (丰富和改善人民生活, 促进经济发展和社会进步) – is – it should be pointed out – nearly identical with the official language employed to talks about the development of China’s Western regions (*xibu diqu* 西部地区) or national minority regions (*minzu diqu* 民族地区). For example, the 2009 White Paper on “China’s Ethnic Policy and Common Prosperity and Development of All Ethnic Groups” (*Zhongguo de minzu zhengce yu minzu gongtong fanrong fazhan* 中国的民族政策与各民族共同繁荣发展) similarly speaks of “economic and social development” (经济社会发展) of ethnic minority regions to overcome their “relative backwardness” (相当落后), to solve the poverty question in order to “improve the people’s livelihood” (改善民生) and “enriching and improving lives” (丰富和改善生活) through cultural activities (SCIO 2009).¹³⁴ A similar example is the description of the “Great Western Development Strategy” *Xibu dakaiifa zhanlüe* 西部大发展战略 which former CCP General Secretary and China’s President Jiang Zemin described as aimed at “economic development, social progress and people’s happiness” (经济发展、社会进步、人民幸福) (Zhongguowang 中国网 2005). All this adds to the picture that China’s foreign aid policy is informed by its domestic economic development policy – just as stated by Zhou Enlai in 1956 when he said China would support the economic development of other countries because it understood (domestically) that economic independence was a prerequisite to political independence (Zhou Enlai 周恩来 1956). This, in turn, suggests that China’s foreign aid policy is an externalisation of the domestic economic modernisation and reform agenda.

The passage that through foreign aid, China “developed and strengthened” (发展巩固) – the English version of the White Paper uses “consolidated”, but the literal translation gives a more precise picture – “friendly relations and economic and trade co-operation” (友好关系和经贸合作) explains the relationality of foreign aid; as I have shown in previous chapters, it has also been a common red thread in Chinese aid giving from the beginning. “Friendly relations” *youhao guanxi* 友好关系 refers to diplomatic support, not only in the past – when

¹³⁴ Similarly, the “1994 Report on the Work of the Government” (1994 nian zhengfu gongzuo baogao 1994 年政府工作报告) talks about “promoting economic development and social progress in ethnic minority areas” (促进民族地区经济发展和社会进步) (Li Peng 李鹏 1994).

the votes of developing countries helped China to gain the UN seat, or prevented Taiwan from re-entering the UN – but also more recently. For example, foreign aid is also understood as a reason why China’s human rights record has received very little scrutiny in the UN Human Rights Council despite crackdowns on Tibetan and Uighur protesters as well as on lawyers and political activists associated with the Charter 08 movement (the most prominent here being the recently deceased Nobel Peace Prize holder Liu Xiaobo) (Fuchs and Rudyak 2019, 397). Fuchs and Rudyak (2019, 397, 402) show that countries that vote in line with Beijing in the UNGA do indeed receive more Chinese aid projects per year on average. Similarly, Chinese scholars, such as Tsinghua University international affairs scholars Pang Xun 庞珣 and Wang Shuai 王帅 (2017, 188), show that “[t]he more aid a country receives from China, the more likely it is not to vote along the lines of U.S. in UNGA” (接受的中国外援越多, 受援国 外交政策立场与美国越相悖、在联大对美重要议案投票中与美国不一致的概率越大). The reference to “economic and trade co-operation” (经贸合作) expresses that China uses foreign aid to promote trade and investment – as had been decided in the context of the 1995 foreign aid reform – and that the strategy has been judged as a success. For example, Luo Jianbo 罗建波 (2016, 106), Director of China’s Foreign Affairs Research Office at the Institute of International Strategy of the Central Party School (*Zhongguo zhongyang danxiao Guoji zhanlǐu yanjiuyuan Zhongguo waijiao yanjiushi* 中共中央党校国际战略研究院中国外交研究室), writes that it was thanks to foreign aid that large Chinese SOEs were able to “smoothly” *shunli* 顺利 “go global”, particularly to Africa. With this approach, the Preface argues, China “promoted South-South Co-operation and contributed to the common development of mankind” (推动了南南合作, 为人类社会共同发展作出了积极贡献).

In mainstream Western discourses on Chinese aid, this reference to “South-South Co-operation” and “contribution to common development” is often judged as empty words or propaganda. While the function of the White Paper is indeed propaganda, these are nevertheless not empty words. As I have shown in chapters 1 and 2, China had declared its aid to be mutual co-operation between poor countries in Bandung in 1955. Chinese aid was a case of South-South Co-operation after BAPA in 1982. The commitment to contribute to common development is part of China’s historical memory: the Chinese aid discourse can be traced back to Mao Zedong 1956 essay, written to commemorate Sun Yat-sen and praise his “Three Principles of the People”. Mao wrote in 1956 that “China should make a greater contribution

to mankind” (中国应当对于人类有较大的贡献) (Mao Zedong 毛泽东 1956).¹³⁵ Another quote that is frequently invoked (e.g. by He Wenping 贺文萍 2011, 127) is a statement made by Deng Xiaoping to the President of Tanzania Julius K. Nyerere: “Our reform is an experiment not only in China but also in the world. If it is successful, it can serve the socialist cause in the world and those in underdeveloped countries.” (我们的改革不仅在中国，而且在国际范围内也是一种试验\$如果成功了，可以为世界上的社会主义事业和不发达国家的。) This must be read as testimony to China’s belief in a different kind of aid approach based on South-South co-operation.

Finally, the Preface claims that China has developed foreign aid “model with its own [Chinese] characteristics] 自身特色的模式, which was grounded (1) in the history of China’s aid-giving – “equality and mutual benefit, stressing substantial results” 平等互利，注重实效 refers to refer to the “Eight Principles” of Foreign Aid, “Four Principles of Economic and Technical Co-operation”; (2) adaptive to changes – “keeping pace with the times” 与时俱进; and (3) shaped by historical memory – which is how, based on Manning’s (2007a) report on meeting with Chinese foreign aid stakeholders, I read here the reference to “not imposing any political conditions” 不附带任何政治条件.¹³⁶ Together with the aforementioned historical continuities in the objectives of foreign aid principles, these historical continuities with Chinese foreign aid principles suggest the significance of historical memory in Chinese foreign aid think and policymaking.

To summarise, the Preface to China’s Foreign Aid White Paper not only represents the official *master narrative* for Chinese aid; a close reading also reveals several important points about China’s self-perception regarding its *foreign aid giving*. First, China sees itself as a provider of South-South Co-operation and its aid as a contribution to global development. This self-perception is by no means a new phenomenon but can be traced back to the Mao era. Second, China’s foreign aid policy appears to be an externalisation of its domestic economic modernisation and reform agenda. This parallels with the ideas expressed by Zhou Enlai in 1956 that China was giving aid because it understood that economic independence was a

¹³⁵ See chapter 1.2.

¹³⁶ The rhetoric of non-intervention does not mean that China always upholds it. To quote from an interview with the Zha Daojiong 查道炯, professor at Peking University School of International Studies School of International Studies (*Beijing daxue Guoji guanxi xueyuan* 北京大学国际关系学院), “of course we intervene in domestic affairs, on domestic and multilateral issues”. (Interview with Zha Daojiong 查道炯 on 22 April 2016 in Beijing)

prerequisite for political independence. Third, there are obvious historical continuities, and historical memory appears to play a significant role in foreign aid think and policymaking.

However, what looked like the kick-off of a new round of reform and opening up, particularly in light of the publication of the first White Paper on China's Foreign Aid, got stalled after 2011. Between 2011 and 2013, no steps were taken towards further institutional reforms. The likely reason was the leadership transition from the third leadership generation of the Hu/Wen government to the fourth leadership generation under Xi Jinping 习近平. Reforms were continued only after 2014. The following two chapters are concerned with these reforms.

Interlude: On Being a Truffle Pig in a Black Box

“Go to the margins, and then follow every lead.”

Rudolf G. Wagner

The following two chapters are case studies: The first case study concerns the reform of foreign aid administration, namely the issuing of the experimental “Measures for the Administration of Foreign Aid” (*Duiwai yuanzhu guanli banfa (shixing)* 对外援助管理办法 (试行)) in 2014 by MOFCOM and the reports by the Central Commission for Discipline Inspection’s (*Zhongguo gongchandang zhongyang jilü jiancha weiyuanhui* 中国共产党中央纪律检查委员会, CCDI) and anti-corruption investigation in MOFCOM, as well as comparison of the 2014 Measure with the 2018 experimental “Measures for the Administration of Foreign Aid” issued by the newly established China International Development Cooperation Agency (*Guojia guoji fazhan hezuo shu* 国家国际发展合作署, CIDCA), which replaced MOFCOM as the foreign aid administration agency. The second case study deals with the introduction of credit risk management regulations for China’s two policy banks, China Development Bank (CDB) and China Export-Import (Exim) Bank, which issue Chinese government loans to developing countries – “Measures for the Supervision and Administration” (*Jiandu guanli banfa* 监督管理办法) issued in November 2017 by the China Banking Regulatory Commission (*Zhongguo yinjianhui* 中国银监会, CBRC). The primary sources for the two case studies are legal documents that contain information about the reform process that I have not seen presented anywhere else. They are significant because their content responded to concerns related to Chinese official development finance voiced in media, policy and academic debates – both from the side of DAC donor countries but also by some of China’s recipients. As I stressed earlier, in chapter 3, here too, I do not argue that the reforms were initiated in response to the external concerns, but rather that, like in 2010, there was an overlap between domestic concerns and international voices. Still, the reform documents addressed the points raised in outside concerns – but, contrary to the White Paper, there was no *xuanchuan* 宣传 “propaganda” push by the Chinese government to publicise them.¹³⁷ In both cases, I

¹³⁷ While the publication of “Measures for the Administration of Foreign Aid” received some attention in development circles, this was not the case with the credit risk management measures for Chinese official

discovered the information on the reforms while looking for something else. The key is, to put it in the words of Bruno Latour (2005), “to follow the actors” – or, to quote Rudolf Wagner, “to follow every lead”. Thus, the choice of the two subsequent case studies is determined by the simple fact that I stumbled upon them by accident, followed the leads – and found truffles, very relevant, hitherto unknown information.

In the first case, it was in June 2014, still prior to the official release of the “Measures for the Administration of Foreign Aid”, which happened in November, that while searching for official statements on the foreign aid white paper in *Google*, I accidentally stumbled upon the headline “MOFCOM has taken measures to clean up corruption in foreign aid projects” (商务部整治援外项目廉政问题). The headline belonged to an article in the newspaper *Jinghua shibao* 京华时报 (*Beijing Times*), which was dated 12 June 2014 (Jinghua shibao 京华时报 2014). It said that the anti-corruption inspection by the Central Commission for Discipline Inspection (*Zhongguo gongchandang zhongyang jilü jiancha weiyuanhui* 中国共产党中央纪律检查委员会, CCDI) has found that many foreign aid projects were prone to corruption, and that “in April MOFCOM has published a draft of the “Measures for the Administration of Foreign Aid” to solicit suggestions from the general public (4月, 商务部制定的《对外援助管理办法(草案)》(征求意见稿)向社会征求意见). Logically, I next did an online search for the Measures. Indeed, they had been published on 18 April and were openly accessible on the website of MOFCOM’s Department of Treaty and Law (*Tiaoyu falü si* 条约法律司) (see Figure 16 for screenshot) (MOFCOM 2014a). Not only was the draft publicly accessible, but also some of the comments submitted online (the comments ranged from practical questions on the provision of equipment by a company to a statement that China should not engage in corruption in order to maintain friendly relations). As I did further research on whether the draft had already been discussed in any publication or on any platforms outside China, what struck me was that it was not. In contrast to final legal documents, the Chinese government usually does not provide official translations of drafts published to solicit public opinion. As a Chinese aid scholar explained to me, the reason is that the relevant organs

development finance. (I cannot say for sure whether this played a role, but I had translated the “Measures for the Administration of Foreign Aid” (both 2014 and 2018) and uploaded the translations for public access on my blog china-aid-blog.com. I know first-hand that the translation has been read and used by European donor agencies).

consider this a “domestic” *guonei* 国内 process. Rather, they did not want to share documents that were still in a discussion process with “foreigners”. The aforementioned aid scholar conferred to me this information after I translated the draft of the 2018 “Measures for the Administration of Foreign Aid”, posted it on my personal blog and sent the scholar a link. I received the response that the relevant agency would rather not have it out in public in English as it was still in progress (Anonymised source AS-6). Interestingly, this suggests that there is a prevailing view within Chinese governmental organisations that information can be shielded by the language barrier. (Admittedly, this is often enough true.) It also follows that reading in Chinese allows access to more and to a different kind of information than reading in English. Thus, because the draft was out there only in Chinese, it was not noticed.¹³⁸

Upon further research, I discovered that the CCDI’s corruption inspection report to MOFCOM titled “Central Inspection Group No. 1 has sent feedback on the inspection tour to MOFCOM” (*Zhongguo di yi xunshi zu xiang Shangwubu fankui xunshi qingkuang* 中央第一巡视组向商务部反馈巡视情况) and dated to 15 February 2014 (CCDI 2014) was publicly accessible on CCDI’s website. The same was true for MOFCOM’s very detailed official response to the report, titled “Report of MOFCOM CCP Party Leadership Group on the inspection tour rectification situation” (*Zhongguo Shangwubu dangzu guanyu xunshi zhenggai qingkuang de tongbao* 中共商务部党组关于巡视整改情况的通报) and dated to 11 June 2014 (MOFCOM 2014d), which stated how MOFCOM was going to address the named problems. In fact, on CCDI’s website, all inspection reports CCDI conducted in ministries and state-owned enterprises, as well as their responses, are open access – in Chinese. While I have not looked into other areas, I have not seen the reports on foreign aid quoted anywhere outside the Chinese language sphere.

The second case is the “Measures for the Supervision and Administration” (*Jiandu guanli banfa* 监督管理办法) of the policy banks China Development Bank and China Exim Bank issued in November 2017 by the China Banking Regulatory Commission. I came across them when doing a research project commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ) in 2019. The BMZ asked me to assess the implications of

¹³⁸ I translated and uploaded it on the previous version of my personal blog in September 2014, which can be accessed under the URL: <https://china-aid-blog.weebly.com>.

BRI-lending for the partner countries of German Development Co-operation. The reason was the growing concerns that BRI could turn out to be a “debt trap” for low- and middle-income countries. One part of the assignment was to assess the potential impact of the BRI Debt-Sustainability Framework (BRI-DSF), which the Chinese government had announced at the Second BRI Forum in May 2019 in response to the growing concern about debt vulnerabilities of low and middle-income countries (MOF 2019a). In a paper on the debt implications on BRI written by scholars of the *Center for Global Development*, the end of the final paragraph before the “Recommendations” part mentioned that “the China Banking Regulatory Commission issued its first-ever regulations for China’s policy banks, emphasizing greater risk controls for the overseas activities of CDB [and] China Exim Bank” (Hurley, Morris, and Portelance 2018, 20). First-ever risk-related regulations sounded huge, and I expected to find more information given the heated debt trap debate. However, I could not find anything substantial. It seemed that the BRI-DSF received much unmerited international attention because it was nonmandatory, while the real reform happened without anybody noticing it. The Measures included extensive provisions designed to disentangle policy-based and commercial lending and reduce financing and debt repayment risks. Conversely, the Measures would potentially contribute to making loans more sustainable. A quick search for English language reporting returned only four noteworthy results: The reform was publicized in English on CBRC’s website, explaining that its objective was to “strengthen areas of weakness of the regulatory system, and prevent and resolve the financial risks under the new situation” (CBRC 2017a, 2017b). It was reported in the English language Chinese media: The CCP’s official English language newspaper China Daily published a detailed article on the contents of the reform, with a rather explicit headline “CBRC Tells Policy Banks to Beef up Risk Management” (Jiang 2017). The English language website of the independent news portal *Caixin* 财新 published a background article with the headline “New Rules Released on Policy Banks to Enhance Risk Control” explaining that the new rules filled a “regulatory vacuum” as since their establishment in 1994, the policy lenders operated without any specific law or regulation (Wu and Jia 2017). It was also picked up by *Reuters*, in an article headlined “China Sets New Rules for Policy Banks to Curb Risks” which was quoted the Zhou Minyuan 周民源, head of CBRC’s policy banks supervision department, saying that “current regulations were insufficient and that the broadening scope of the policy banks ‘posed a challenge to risk control’”. As it turned out, since their inception in 1994, the policy banks operated in a “regulatory vacuum”. There were no specific laws or regulations for their supervision and management of the policy banks,

exploring various pathways between policy-based and commercial finance (Wu and Jia 2017). Instead, they had been operating mainly on the basis of the 1993 State Council document “Decision of the State Council on Reform of the Financial System” (*Guowuyuan guanyujinrong tizhi gaige de jueding* 国务院关于金融体制改革的决定), on whose legal basis they were created in 1993 (State Council 1993). (*For me, a (former) development professional socialised in the DAC development co-operation setting, this was something I would have never imagined.*) Against the debt sustainability concerns, this was a significant piece of information for understanding Chinese development lending and a big reform step – and I found a total of four English-language sources that reported it. And that was it: despite the concurrent debate on the (un)sustainability of Chinese bilateral development lending, particularly in the context of BRI, this de facto admission of debt sustainability risks due to insufficient regulation went largely unnoticed. None of the major media picked it up, nor did it become an issue in developer circles. Looking to gather secondary information on the reform process which could help me better understand – and thus interpret – the legal text of the Measures, I ran a search in the CNKI database for titles including the term 政策性银行 *zhengcexing yinhang* “policy bank(s)”. First, the search revealed that the topic of “risk management” (风险管理) was clearly prominent. I also found the research report that preceded the Measures: it was a “Comparative Study of the Operation and Supervision of Policy Banks in China and Abroad” (*Guowai zhengcexing jinrong jigou yunxing yu jianguan bijiao yanjiu* 国外政策性金融机构运行与监管比较研究). According to the preface, it was compiled by the CBRC’s in-house Research Group on the Operation and Supervision of Policy-based Finance (*Zhengcexing jinrong yunxing yu jianguan yanjiu ketizu* 政策性金融运行与监管研究课题组), which had been tasked to provide recommendations for the reform of the policy banks. The report analysed 26 policy-oriented financial institutions from the United States, Germany, France, Canada, Japan, South Korea, Russia, Brazil and India – and provided recommendations for China based on what it found to be the most suitable practice. Contrary to widespread assumptions about China’s general secrecy, this kind of information is openly accessible – *in Chinese*. It was published in January 2017, in the journal *Jinrong jianguan yanjiu* 金融监管研究 (*Financial Regulation and Research*) (Zhou Minyuan 周民源 et al. 2017) and archived in CNKI. Thus, while there was a heated debate in the West about the Chinese “debt trap”, no one noticed that China had passed legal measures to mitigate credit risks - because for China it was a “creditor trap”.

Chapter 4: Reform of the Foreign Aid Administration

4.1 Reading Aid Through the Anti-Corruption Campaign

4.1.1 “MOFCOM Has Taken Measures to Clean Up Corruption in Foreign Aid Projects”¹³⁹

In late June 2014, while searching for official statements on the foreign aid white paper in Google, I accidentally stumbled upon the headline “MOFCOM to clean up integrity issues in foreign aid projects” (*Shangwubu zhengzhi yuanwai xiangmu liangzheng wenti* 商务部整治援外项目廉政问题). In Chinese political language, *liangzheng* 廉政, that can be literally translated as “clean politics” or “government integrity” is the codeword for corruption. The headline belonged to an article in the *Jinghua shibao* 京华时报 (*Beijing Times*), a subsidiary newspaper of the CCP organ *Renmin Ribao*, and was dated 12 June 2014 (*Jinghua shibao* 京华时报 2014). According to the article, MOFCOM was subjected to an anti-corruption inspection by the Central Commission for Discipline Inspection (*Zhongguo gongchandang zhongyang jili jiancha weiyuanhui* 中国共产党中央纪律检查委员会, CCDI) in September 2013.¹⁴⁰ The final report submitted by CCDI’s inspection team (*zhongyang xunshi zu* 中央巡视组) found that foreign aid projects bore a huge potential for corruption, particularly because it was so difficult to oversee them abroad. The assessment of quality and qualification of companies who applied for foreign aid projects, approval and initiation of projects, budget management, and the bidding process had numerous problems. There was a huge amount of budget adjustments during project implementation and a serious prevalence of illegal expenses. The *Jinghua shibao* informed further that MOFCOM promised to introduce reform steps to counter the issues. The reforms were supposed to include regulations on supervisory management, strict examination before approval of major project design changes, increased

¹³⁹ This is the headline of the *Jinghua shibao* 京华时报 (*Beijing Times*) (2014) article discussed in this subchapter.

¹⁴⁰ The CCDI is also abbreviated as *Zhongyang jiwei* 中央纪委 and *Zhongjiwei* 中纪委. It is the highest internal control institution of the CCP, tasked with enforcing internal rules, regulations and discipline within the party. Given that all major positions in the Chinese government and state-owned enterprises are filled with party members, it functions de facto as the Chinese state’s anti-corruption body. The CCDI’s website can be accessed at <http://www.ccdi.gov.cn>. For an in-depth analysis of the CCDI-based anti-corruption model, see, e.g. Li Li [李立] and Wang Peng [王鹏] (2019).

penalties for illegal activities of enterprises, reform of the tender procedures, and standardizing budget reporting, execution and adjustment procedures.

The article was published in the print version of the *Jinghua shibao* (Figure 17) and on *Jinghua shibao*'s microblog account on *Sina Weibo* and was reposted on various semi-official and commercial online news platforms.¹⁴¹

The visual representation – the yellow coins in the left corner of the black-framed article – catered to the Chinese public's concerns that China may be spending too much on foreign aid, while diverting attention from too much spending to wasteful spending. (As discussed in chapter 3, the Chinese government went to great lengths to explain to the Chinese public why giving was a necessity for China. Xi Jinping himself would say in 2017 that aid needed to be spent, but wisely (K. Huang 2017)). The questions in the left column within the frame and the answers in large and bold print provided essential information for those who did not want to read the whole article.

How much money is in Chinese aid?

中国对外援助多少钱?

Foreign aid accounts for 80% of MOFCOM's budget

援外支出占商务部预算八成

What is Chinese aid used for?

中国对外援助用在哪儿?

Most projects are in infrastructure

基础设施建设援助项目最多

Which sectors of foreign aid have the most problems?

中国对外援助哪些环节易出问题?

Bidding and tendering are most prone to corruption

招投标环节最容易滋生腐败

How to prevent such problems in Chinese foreign aid in the future?

¹⁴¹ Many repost either added an explanation to the headline, e.g. "Regulations will be issued" (将出台管理细则); or altered the headline to point out specific issues, e.g. "Integrity risks in foreign aid projects at the Ministry of Commerce. Bidding and tendering process is prone to corruption" (商务部援外项目存廉政风险 招投标易滋生腐败) or "Tendering and bidding of foreign aid projects is prone to corruption, involves personnel, involving personnel, notification of multiple internal punishments" (援外项目招投标易生腐败涉及人员多内部通报处分). Semi-official platforms that reposted the article included *Renminwang* 人民网 (*People's Daily Online*), *China.org.cn* and *Zhongguo qingnianbao* 中国抢年报 (*China Youth Daily*), commercial platforms included *Xinlang* 新浪 (*Sina*), *Souhu* 搜狐 (*Sohu*) and *Boxun* 博讯.

中国对外援助如何防止出问题？

“Measures for the Administration of Foreign Aid” will solicit public opinions

《对外援助管理办法》征民意

Figure 16 Jinghua shibao (Beijing Times) on Corruption in MOFCOM



What Wen Jiabao had hinted at in a somewhat convoluted manner in his 2010 speech was now spelled out publicly in a widely circulated newspaper article. More importantly, however, the article provided a piece of information that was extremely essential to this research project: it stated that according to MOFCOM's 2014 budget report, foreign aid accounted for 82 per cent (21.1 billion CNY/approx. 3.5 billion US-Dollar) of MOFCOM's total budget (25.7 billion CNY/approx. 4.2 billion US-Dollar).

To add to the picture of fragmentation described in Chapter 3, this means that 82 per cent of MOFCOM's total budget was managed by the 100 staff at the Department of Foreign Aid. MOFCOM was thus de facto China's aid ministry. For comparison: In 2014, the German Federal Ministry of Economic Co-operation and Development managed a development assistance budget of 6.4 billion US-Dollar with 1,025 staff (BMZ 2010–2020). This means that a person in the DFA had to manage about five times as much aid funds as their German counterpart in the BMZ. Only, unlike the DFA, the BMZ had the German Agency for International Co-operation (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)), with 16,410 employees worldwide in 2014, which managed German development co-operation projects and supported the BMZ.

It apparently took Xi Jinping's intra-party anti-corruption campaign (Brown 2018; Tsimonis 2018; Saich 2017; Lu and Lorentzen 2016), launched after he came to power, to finally set in motion the reforms that were discussed in 2010. I find that for the study of China's foreign aid reform, the campaign opened an unexpected window into the foreign aid system. There are generally not many documents that offer insights into the internal works of a Chinese ministry or a state institution, which makes the CCDI-sources particularly interesting. The CCDI report, quoted in the *Jinghua shibao* (*Beijing Times*) is openly accessible on the CCDI website, as is the detailed response provided by MOFCOM. The same applies to all other ministries, government departments and state-owned enterprises that have been subject to inspection. In contrast to the otherwise prevailing secrecy surrounding Chinese institutions, the open publication of the CCDI reports (and the much more detailed responses of the inspected organisation) was a deliberate move by the CCP to project an image of transparency and accountability. According to the standardised preamble, the reports were made public "in accordance with the principle of openness in party affairs and the inspection requirements" (按照党务公开原则和巡视工作要求). However, unlike many other Chinese government websites, the CCDI page does not have an English version, which means that the relevant organs treat the respective information as a *guonei* 国内, "domestic" affair.

4.2.2 CCDI Inspection Report

The CCDI's inspection of MOFCOM was carried out from 29 October to 27 December 2013 and consisted of "extensive individual interviews, letters and visits from the general public, and access to relevant documents and information" (广泛开展个别谈话, 受理群众

来信来访，调阅有关文件资料)。In its report (CCDI 2014), issued on 15 February 2014, the Inspection Team assessed that:

[Th]ere were substantial risks of corruption in foreign aid projects [and] internal management, and some units and individuals were misusing their executive authority and the power to allocate funds for personal gains. [...] In the selection of cadres, some major questions had not received sufficient attention [and] staffing was carried out on the basis of simple test or simple scoring.

援外项目[及]内部管理廉政风险隐患较大，一些单位和个人利用行政审批、资金分配权谋取私利。[...]干部选拔任用方面一些重大问题集体研究不够，用人上存在简单唯考、唯分取人现象[。]

Thus, the report not only pointed out systemic weaknesses but also criticised MOFCOM's selection of personnel. To solve these issues, the report suggested that MOFCOM needed

[...] to improve the management of projects funds and internal management procedures, carefully gather all the weak links, and immediately correct any problems.

[...] to comprehensively strengthen the institutional setup, establish a sound system for managing special funds, and strengthen audit and oversight of special funds projects.

[...] 加强项目资金和内部管理。认真总结查找存在的薄弱环节，发现问题立即整改。

[...] 全面加强制度建设，建立健全专项资金的管理制度，加强对专项资金项目的审计和监管。

4.2.3 MOFCOM's Response

On 11 June 2014, MOFCOM provided a detailed response in the “Report of the MOFCOM CCP Party Leadership Group on the inspection tour rectification situation” (*Zhonggong Shangwubu dangzu guanyu xunshi zhenggai qingkuang de tongbao* 中共商务部党组关于巡视整改情况的通报) (MOFCOM 2014c). The introduction to the report states that the Minister of Commerce and Secretary of MOFCOM's Communist Party Leading Group Gao Hucheng 高虎城 (1951-) had assumed overall responsibility for the process of “rectification and reform”. The report declared that the Ministry had conducted a “thorough [internal] investigation” (全面自查) as requested by the Inspection Team. Concerning foreign aid, it says that MOFCOM on 3. March adopted a “Foreign Aid Project Management System Reform Plan” (对外援助项目管理体制改革方案) and established a “Foreign Aid Reform Leading Group” (援外改革领导小组) chaired by Minister Gao Hucheng.

The detailed steps MOFCOM planned to carry out are described in the section “On the comparatively major problems with corruption in foreign aid projects” (关于援外项目廉政风

险较大的问题).¹⁴² The paragraph begins with a recitation of the *master narrative* of Chinese aid that had been spelled out in 2010 (section 3.4.1 and 3.4.3):

Under the leadership of the CCPCC and the State Council, for more than 60 years, China's foreign aid work has adhered to the basic principles of equality and mutual benefit and not imposing any political conditions. It has provided maximum support to developing countries to [help them] realize national independence and economic development and laid a solid foundation for long-term friendly co-operation between China and developing countries.

在党中央和国务院的领导下，60 多年来，我国援外工作秉承平等互利、不附带任何政治条件等基本原则，为发展中国家实现民族独立和经济发展提供了最大限度的支持，奠定了我国与发展中国家长期友好合作的坚实基础。

However, the report continues, with the “new situation” (新形势) – which I read as referring to the aftermath of the global financial crisis of 2008, as in Wen Jiabao's speech in 2010 (section 3.4.2), and “new tasks” (新任务) – which I read as a reference to the “Belt and Road” Initiative, “the weak links in the management of foreign aid projects are gradually emerging” (援外项目管理中的薄弱环节逐渐显现). Next, the paragraph informs that in recent years, MOFCOM has already taken some “corrective actions” (整改措施), including the introduction of provisions for project survey management, rigorous examination prior to the approval of major design changes in projects, and increased penalties for companies who implemented projects and violated the rules. [It has] revised the measures for bidding and standardised the procedures for budget calculation, budget execution and budget adjustment (出台勘察管理规定，严格审批重大设计变更，加大对违规企业的处罚力度，修订招议标办法以及规范预算编报、执行和调剂程序). It has also carried out comprehensive audits in coordination with the National Audit Office (*Shenjishu* 审计署) in a part of foreign aid projects and increased the inspection of corruption risks in foreign aid projects through the Bureau of Discipline Supervision and Investigation of the MFA (驻部纪检组监察局). Now, following the instructions of the CCDI report, MOFCOM was actively promoting the official launch of “Regulations on the Administration of Foreign Aid” (对外援助管理条例), formulated a drafting plan for foreign aid management rules and regulations, and initiated the drafting of the “Measures for the Administration of Foreign Aid” (对外援助管理办法) and supporting policies.

¹⁴² The entire report covered more topics than foreign aid.

Another paragraph of the report, which does not deal directly with aid, sheds light on project monitoring and offers information on the bureaucratic fragmentation within MOFCOM. During random checks of project reports, the CCDI inspection team found that “a part of reports were plagiarised” (有些存在抄袭剽窃现象). In response, MOFCOM promised to conduct a review of all reports published between 2009-2013 and “correct” (整改) the reports. Furthermore, MOFCOM stated that it has accordingly revised the internal “Measures for the Administration of Research Projects and Research Project Funds” (商务部课题研究项目及经费管理办法) to reduce future risks. Plagiarism should in the future lead to “penalties” (处罚) and “withdrawal of accreditation for project research” (取消课题研究资格). (Unfortunately, I was not able to find the full text of the Measures). Furthermore, MOFCOM announced, “to establish a project management information system, realise the sharing of research results within the ministry, improve the transparency of project management, and publicise research results internally” (建立课题管理信息系统,实现研究成果部内共享,提高课题管理透明度,内部公示研究成果). In section 3.2.3, I described how difficult it was initially for DAC donor representatives in Beijing to arrange a meeting with the DFA because their counterpart DITEA (the MOFCOM department responsible for donor coordination) stated that there were no working-level contacts. The above announcement by MOFCOM confirms that there was little exchange of information between MOFCOM’s different departments.

All the points mentioned in the MOFCOM report were subsequently reflected in the “Measures for the Administration of Foreign Aid” (*Duiwai yuanzhu guanli banfa* 对外援助管理办法), the first comprehensive legal document on foreign aid published in draft form in April 2014 (MOFCOM 2014a) and in the final version in November 2014 (MOFCOM 2014b). Given that no visible reforms have taken place after 2010, the question arises whether the anti-corruption campaign and the misallocations in the aid budget it apparently brought to light have served as an impetus for further reforms.

4.2 The Measures for the Administration of Foreign Aid

The “Measures for the Administration of Foreign Aid” were officially released on 15 November 2014. Consisting of 51 articles, the Measures are the first comprehensive legal document with the character of a law to regulate the Chinese government’s foreign aid. Their purpose, as stated in article (art.) 1, was “to standardize foreign aid administration, and improve

the effectiveness of foreign aid” (规范对外援助管理, 提高对外援助效果). The content included chapters on policy planning (*zhengce guihua* 政策规划), foreign aid modes (*duiwai yuanzhu fangshi* 对外援助方式), approval of foreign aid projects (*yuanwai xiangmu lixiang* 援外项目立项), supervision and administration (*jiandu guanli* 监督管理), management of foreign aid personnel (*duiwai yuanzhu ren yuan guanli* 对外援助人员管理), and legal responsibilities (*falü zeren* 法律责任). The articles in the respective chapter provide answers to many of the lingering questions on Chinese aid in the Western development discourse.

What is defined as foreign aid, and who are the recipients?

Art. 2 defines what is counted as foreign aid, namely “the use of government’s foreign aid funds” (使用政府对外援助资金) for “economic, technical, material, personnel and management support” (经济、技术、物资、人才和管理等支持的活动). By implication, other forms of official finance, such as project loans of the China Development Bank (CDB), are not counted as foreign aid. (I mention this in earlier chapters and will discuss in Chapter 5 why they nevertheless should not be excluded when talking about Chinese aid since the onset of BRI.) Art. 3 defines the “aid recipients” (*shouyuan guo* 受援国):

Foreign aid recipients mainly include developing countries in need of aid that have established diplomatic relationships with the PRC and international or regional organizations that mainly consist of developing countries. Under urgent or exceptional circumstances, humanitarian aid may be given to a developed country or a developing country that does not have diplomatic relations with the PRC.

对外援助的受援方主要包括与中华人民共和国已经建立外交关系且有接受援助需要的发展中国家, 以及发展中国家为主的国际或区域性组织。 在人道主义援助等紧急或特殊情况下, 发达国家或与中华人民共和国无外交关系的发展中国家也可作为受援方。

Accordingly, the precondition to receiving Chinese foreign aid is the recognition of the PRC and – by implication – non-recognition of Taiwan, which is also known as the “One China Principle” (*Yi ge Zhongguo yuanze* 一个中国原则). This is the real meaning behind the use of the word “friendship” (*youyi* 友谊) or “friendly countries” (*youhao guojia* 友好国家) in the official language. What is not widely known is that the “One China Principle” can be suspended for humanitarian aid. After the devastating earthquake that hit Haiti in January 2010, China was among the first nations to respond by sending a 68-member rescue team (its first international rescue team) and several relief packages, which MOFCOM at the end estimated to a total worth of 15 million US-Dollar (Tubilewicz 2012). Haiti, at that time, was one of 23 countries that still maintained diplomatic relations with Taiwan (Erikson 2010).

What are the objectives of Chinese aid?

Art. 4 recites the basic aid principles, namely that aid shall be provided with “respecting the sovereignty of the countries receiving aid and without interfering in the internal affairs of the countries receiving aid” (对外援助应尊重受援国主权、不干涉受援国内政), and defines the purpose of Chinese aid:

[...] alleviating and eliminating poverty of aid recipients, improving the livelihood and ecological environment of aid recipients, promoting economic development and social progress of aid recipients, strengthening the self-development capacity of aid recipients, and consolidating *and developing friendly co-operative relations with aid recipients*.

[...] 致力于减轻与消除受援方贫困，改善受援方民生和生态环境，促进受援方的经济发展和社会进步，增强受援方自主发展能力，巩固和发展与受援方的友好合作关系。

The part on “promoting economic development and social progress of aid recipients, strengthening the self-development capacity of aid recipients, and consolidating and developing friendly co-operative relations with aid recipients” is already familiar to the reader; these have been the objectives of Chinese aid from the beginning, as analysed and discussed in the previous chapters. The objectives are also found in the 2011 White Paper on China’s Foreign Aid. What stands out as a new addition, however, is “alleviating and eliminating poverty” (减轻与消除受援方贫困) and “improving the ecological environment” (改善[...]生态环境). Poverty reduction was always implicitly present but was not explicitly articulated as a goal in the past. I interpret here as an appropriation of the UN development discourse. As for the part on improving the ecological environment, unlike poverty reduction, this was not included in the April draft of the measures and was therefore apparently added to the set of objectives after April.

As for the reference to the ecological environment, which in contrast to poverty alleviation had not been part of the draft of the Measures published in April, an article on the website of the party newspaper *Huanqiu shibao* 环球时报 (*Global Times*), suggests that the inclusion of environmental factors was mediated by an incident with the Stung Cheay Areng hydropower plant in Cambodia, the construction of which Cambodian Prime Minister Hun Sen suspended in late 2014 following massive local protests (*Huanqiu wang* 环球网 2015). The Chinese contractor, a state-owned construction company, called Sinohydro, failed to engage local citizens in dialogue about their environmental concerns.

Why doesn't the Chinese government share foreign aid data?

Art. 6 is a likely answer why China does not release any disaggregated data on Chinese foreign aid. It stipulates that “MOFCOM shall set up fully-covered foreign aid statistics system, and collect, summarize and prepare statistical data on Foreign aid” (商务部建立全口径对外援助统计制度, 收集、汇总和编制对外援助统计资料) – implying that previously, there was no systematic compilation of project-related statistics.

What are the types of foreign aid flows and the types of foreign aid projects?

Chapter 3, “Foreign Aid Modes” (*Duiwai yuanzhu fangshi* 对外援助方式) explains which types of foreign aid are used for which types of projects: (1) grant aid (*wuchan yuanzhu* 无偿援助) is mainly used for the aid needs of aid recipients in terms of poverty reduction, livelihood, social welfare, public services, and humanitarian assistance; (2) interest-free loans (*wuxi daikuan* 无息贷款) are mainly used for the aid needs of aid recipients in terms of public infrastructure and industrial and agricultural production; concessional loans (*youhui daikuan* 优惠贷款) are mainly used for supporting production or manufacturing projects with economic benefits, large-scale infrastructure construction, and provision of large quantities of mechanical and electrical products and complete equipment. All aid is normally provided in the form of project aid (“以[...]实施为主”), with cash aid given only in exceptional cases.

How does China monitor aid effectiveness?

The Measures stipulate that before initiation, proposed foreign aid projects must undergo a feasibility study (援外项目在立项前应经过可行性研究) (Art. 17). The April Draft had further specification regarding the feasibility studies: namely that they should include an impact assessment (论证), with the results of the feasibility study presented in a written report (形成可行性研究成果文件) (Draft Art. 28), to ensure policy conformity, technical feasibility and appropriate use of financial resources (政策符合性、技术可行性和投资合理性) (Draft Art. 29); completed projects should have been subject to evaluation and impact assessment (效果进行评估) (Draft Art. 41). It is unclear why the provisions from the draft were not included in the final version. For ex-post assessment, Art. 35 stipulates that MOFCOM shall set up an evaluation scheme (*pinggu zhidu* 评估制度), and evaluate the implementation of foreign aid projects. This passage suggests that in 2014, foreign aid projects were not systematically evaluated. This, in turn, is consistent with the general observations I made about the

understanding of aid effectiveness among Chinese government actors while working for GIZ in Beijing. When jointly planning training courses, there would usually be a discussion over to define success factors. While the German side would typically ask, what do we want to achieve with this course, for the Chinese side, a course was successful if it had taken place and the right persons participated in it. This Chinese side appeared to be more input-oriented, while the German side more output-oriented. This, however, is shifting, and thus the Art. 35 can be seen as representative of this trend.

Project implementation

Foreign aid projects are supposed to be generally implemented by a Chinese entity, but the Measures also allow for projects to be implemented jointly with an entity in the recipient country or by a recipient country entity with Chinese supervision (Art. 23). However, foreign aid projects can be undertaken only by accredited (*zige* 资格) enterprises (Art. 25), which in turn are not allowed to delegate their tasks or to subcontract them illegally (不得将所承担的任务转包或违法分包). The practice of illegal subcontracting appears to have been widespread and perceived as a substantive problem within the government, as it was mentioned in both Wen Jiaobao's speech at the National Conference on Foreign Labor in 2010 and the CCDI's corruption report. Therefore, Art. 25 has to be understood as a measure to counter this practice.

Anti-Corruption Measures

Following up the CCDI report, the Measures stipulate a transparent tendering process and explicitly forbid "in fraud, bribery or other illegal means" (欺骗、贿赂等不正当手段) (Article 45). Foreign aid funds shall be used "for designated purposes only" (专款专用) (Article 34) and the "misappropriation of foreign aid funds" (挪用援外资金) shall be penalized (Article 46 (3)). Foreign aid personnel "shall not engage in other business activities" (不得从事其他商务活动) (Article 40), which is a practice that seemed to be quite common.¹⁴³

In my view, the Measures are an extremely valuable and detailed source of information. Contrary to the White Paper, whose primary intended audience was, as I have argued in Chapter 3, "the West" and whose primary function was to "propagate" the Chinese foreign aid approach,

¹⁴³ Conversation with a government employee of MOFCOM in March 2013 in Beijing.

the Measures are an internal, mostly technical document for the internal use of the Ministry. In the section above, I showed what kind of explicit and implicit information can be derived from their text. With that, I would also like to make a case for paying attention to legal documents when analysing China's foreign aid.

4.3 CIDCA

4.3.1 Predicting Reforms: Why One Must Pay Attention to Details

The fact that Wen Jiabao, when speaking at the National Foreign Aid Work, stressed the need to improve the “mechanism for coordination among involved departments” (要完善体制机制提高保障能力) seemed to imply that the leadership was debating whether aid should remain under the leadership of MOFCOM.¹⁴⁴ According to Li Anshan 李安山, Professor at the School of International Studies at Peking University (*Beijing daxue Guoji guanxi xueyuan* 北京大学国际关系学院), there were already in 2008 thoughts on establishing an aid agency or ministry because coordinating a large number of different aid programs was seen as beyond the capacity of MOFCOM (“Managing Aid Effectively: Lessons for China? Workshop Report” 2008). Chinese development and international relations scholars who have been studying international practice have openly proposed either to transfer responsibility for development assistance from MOFCOM to the MFA similar to the British Department for International Development (DFID) or to establish a dedicated ministerial structure or an aid implementing agency like the Japan International Co-operation Agency (JICA), or the German International Co-operation Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)) (Hu Jianmei 胡建梅 2013; Hu Jianmei 胡建梅 and Huang Meibo 黄梅波 2012b; Yu Nanping 余南平 2012). When MOFCOM's “Measures for the Administration of Foreign Aid” were published in late 2014, they appeared to have put an end to the speculations on whether the government might transfer foreign aid to the MFA or establish a specialised aid ministry: Art. 5 of the Measures stipulated that “MOFCOM shall be responsible for foreign aid work” (商务部负责对外援助工作).

¹⁴⁴ This assessment was shared by a researcher from the China Institute for Reform and Development (CIRD), with whom I had a conversation in Haikou in April 2012.

In February 2017, however, there were signs that foreign aid had (again) become an issue of concern, this time at China's highest leadership level. At its first meeting of the year, the Central Leading Group for Comprehensively Deepening Reforms (*Zhongyang quanmian shenhua gaige lingdao xiaozu* 中央全面深化改革领导小组) named foreign aid as one of the nine major areas that were up for reform, and issued the "Opinions on the Reform of Foreign Aid Work" (*Guanyu gaige yuanwai gongzuo de shishi yijian* 关于改革援外工作的实施意见) (*Renminwang* 人民网 2017). The leading group stated the need to optimise strategic plans for foreign aid, improve the management of foreign aid funds and projects, reform China's aid administration in general, and improve the overall effectiveness of Chinese aid. Xi Jinping himself was quoted saying that China needed to "optimise the strategic layout of foreign aid, improve the management of aid funds and projects, reform the aid administration system, and make aid more effective" (要优化援外战略布局, 改进援外资金和项目管理, 改革援外管理体制机制, 提升对外援助综合效应) (*Zhongguo liaowang* 中国瞭望 2017).

As outlined earlier in this thesis, debates about the need to reform China's aid system have taken place for many years. The CCDI's anti-corruption campaign described in section 4.1 found that aid projects were nearly impossible to supervise. Chinese companies that carried out aid projects were often not adequately qualified; project approvals and tender processes showed many irregularities, and ex-post budget adjustment and illegal spending were widespread. MOFCOM promised reforms – but except for passing the "Measures for the Administration of Foreign Aid" (section 4.2) and a few other departmental provisions, not much happened. Moreover, nobody seemed too much concerned.

What changed in early 2017? While China's foreign aid continued to rise almost exponentially (Dreher et al. 2017),¹⁴⁵ in late January 2017, China's foreign exchange reserves fell below 3 trillion US-Dollar, marking the lowest point in 6 years (Yao 2017). That has put pressure on aid, which since Xi Jinping came to power and initiated the "Belt and Road Initiative", had more interests to serve than ever before in China's history: not only fighting poverty but also helping the soft landing of Chinese companies "Going Global", supporting the "Belt and Road Initiative", projecting an image of "responsibility", and promoting China's

¹⁴⁵ According to the estimates by JICA-RI's Kitano (2018a), in 2016, China ranked seventh in OECD-DAC Official Development Assistance (ODA) comparable flows

agenda in global governance reform. China “must act more wisely in giving out foreign aid”, Xi was quoted in the South China Morning Post (Huang 2017). The South China Morning Post Interpreted Xi’s statement then as a “desire to extract greater returns from China’s spending abroad as Beijing seeks to increase its international influence”. What struck me was the juxtaposition of the two points “reform of the aid administration system” (改革援外管理体制机制) and “making aid more effective” (提升对外援助综合效应), which, given all the other factors, suggested to me that the “reform of the aid administration system” might hint at a new foreign aid agency.

In contrast to the research presented in previous chapters, which relies on archival sources, I had the chance to witness the reform processes after 2014 as they were unfolding. When the “Opinions on the Reform of Foreign Aid Work” were issued in February 2017, I contacted Chinese aid scholars to ask them if they had access to the opinions (as they were not public) or any information that went beyond the aforementioned quote by Xi Jinping. To my surprise, nobody I approached had noticed the opinions and was able to provide any further information. Having followed Chinese foreign aid policy-making closely for several years at that point, I was aware that the sheer fact that the Reform Leading Group issued a statement on foreign aid was significant because it was the very first time it did so. The Reform Leading Group was set up by Xi Jinping under the CCP Politburo in late 2013 to ensure that reforms were implemented (and, if needed, pushed past the bureaucracy) (C. Huang 2013). In December 2017, I worked on a short publication on China’s engagement in Africa for the German International Cooperation Agency GIZ. In the draft, I included the foreign aid statement by the Reform Leading Group – and suggested that China may be setting up a foreign aid agency. My hypothesis did not make it into the final publication because my counterparts at GIZ found it too speculative since there had been talks about an aid agency for some time, but not much had happened. A few days after the publication of my policy brief in March 2018 (Rudyak 2018), the Chinese government announced the establishment of a new foreign aid agency. I explain this to make a case for paying attention to details of official communication in Chinese politics. It does not only matter what is said but by whom, when and in which context. In a political system that is as opaque as the Chinese one, the ability to recognise these small pointers is crucial.

4.3.2 A New International Development Co-operation Agency to Solve Old Problems¹⁴⁶

In March 2018, the Chinese government announced the establishment of a new independent aid agency: the China International Development Co-operation Agency (CIDCA; *Guojia guoji fazhan hezuo shu* 国家国际发展合作署) (*Renminwang* 人民网 2018). The set-up was part of China's largest government reorganization effort in years, with the institutional changes aimed at increasing the state's governing efficiency and tackling bureaucratic fragmentation. Having the level of a vice-ministry and thus responding directly to the State Council, CIDCA replaced MOFCOM as the lead coordinator of Chinese foreign aid (which can be seen when comparing Figure 18 in this chapter with Figure 10 in section 3.3.1). It took over the aid coordination functions previously performed by MOFCOM's Department of Foreign Aid (and the department's personnel), as well as the responsibility to align foreign aid-related functions of the MFA.

The purpose of CIDCA's establishment was formally announced as follows:

To give full play to the role of foreign aid as an important means of great power diplomacy, to strengthen the strategic planning and overall coordination in foreign aid, to promote the unified management of foreign aid, to reform and improve foreign aid, and [make foreign aid] better serve China's overall diplomatic agenda and joint building of BRI [...]

为充分发挥对外援助作为大国外交的重要手段作用，加强对外援助的战略谋划和统筹协调，推动援外工作统一管理，改革优化援外方式，更好服务国家外交总体布局和共建“一带一路”等[...]

(*Renminwang* 人民网 2018)

Since coming to power, Xi Jinping has led China to chart a more proactive course in international affairs, particularly on development co-operation. Among other policy decisions, Xi made substantial commitments to South-South Co-operation at the United Nations Sustainable Development Summit in 2015 (Xi Jinping 习近平 2015b), in 2015, pledged 60 billion US-Dollar to African countries at the 2015 (Thuso Khumalo 2015) and 2018 (*Reuters* 2018b) iterations of the Forum on China-Africa Co-operation, and launched his landmark project, the Belt and Road Initiative (BRI). At the 19th Party Congress in October 2017, the CCP incorporated the BRI into its constitution, so every party member has to contribute to its

¹⁴⁶ This subchapter is based on the policy paper “The Ins and Outs of China’s International Development Agency”, which has been published on 2 September 2019 with the *Carnegie Endowment for International Peace* (Rudyak 2019). It is accessible online at <https://carnegieendowment.org/2019/09/02/ins-and-outs-of-china-s-international-development-agency-pub-79739>.

construction (*Xinhua* 新华 2017d). Evidently, China's aid agenda needed to be aligned with the overall foreign policy goals reflected in the BRI.

The envisioned shift in the role Chinese aid should play in the future was reflected in the agency's name, too. Historically, China's official discourse always employed the term "foreign aid", *duiwai yuanzhu* 对外援助 when talking about China's outgoing aid. This term clearly distinguished itself from the term used in China after 1978 to describe incoming "development aid", *fazhan yuanzhu* 发展援助 post-1978, which was a direct translation of the OECD-DAC term. For a long time, Chinese actors have argued that China, as a developing country seeking its own path to development, cannot provide "development aid" to other developing countries (Y. Zhang, Gu, and Chen 2015). While the global debate shifted to the common notions of development co-operation and partnerships after the High-Level Forum on Development Effectiveness in Busan, Korea, in 2011 (Mawdsley, Savage, and Kim 2014), China's own discourse since the launch of the BRI has focused on the notion of "common development" (*gongtong fazhan* 共同发展). Moreover, the Chinese government explicitly declared that China is ready to share its knowledge on development with other developing countries, and in March 2017 established the Center for International Knowledge on Development (*Zhongguo guoji fazhan zhishi zhongxin* 中国国际发展知识中心) to serve exactly this mandate. That the new agency has been named an International Development Co-operation Agency, *Guoji fazhan hezuo shu* 国际发展合作署 – and not a Foreign Aid Agency, *Duiwai yuanzhu shu* 对外援助署 – has to be understood as mirroring a shift towards a broader understanding of aid giving.

In establishing CIDCA, the Chinese government also hoped to finally address the intractable challenges of bureaucratic fragmentation that have long plagued the country's foreign aid policy. As explained in Chapter 3, while China's aid spending has grown markedly in the new millennium (Kitano 2018b), the institutional setup of China's aid system has barely changed since the mid-1990s. In the long-running absence of any substantial institutional revamping, China's old aid apparatus led by the Ministry of Commerce became increasingly complex and fragmented. Chinese observers, like Miao Lü 苗绿 (2017), the Co-founder and Secretary-General of the Center for China and Globalization (CCG), the largest non-governmental think tank, have long attributed the general opaqueness of China's aid system to this high complexity and fragmentation, whereas many observers outside China assume that the government is being deliberately secretive. Miao argues that "the complex structure has made it difficult, to improve efficiency and planning, implementation effectiveness, quality

management and monitoring of results” (庞杂的结构给效率提升和综合规划 有效实施 质量管理及效果评估等带来了巨大困难). According to her, in recent years, foreign aid coordination became even more complicated as Chinese aid started to become more “professional” (*zhuan yexing* 专业性) – paying more attention to classical development assistance areas such as poverty reduction, education, health, culture and climate change mitigation.

To exacerbate matters more, the foreign aid system, like most parts of China’s political system, suffered from bureaucratic stove-piping: relevant information tended to be channelled up and down each ministry’s chain of command, and government departments exchanged little or no information. Information sharing between ministries occurred almost exclusively at the level of the State Council and the Central Foreign Affairs Commission. Furthermore, over the years, a fierce competition between the MOFCOM and MFA emerged over which ministry would control the aid program and whether aid should serve primarily economic or diplomatic interests. According to Denghua Zhang (2018b), for a long time, MOFCOM was on the winning side of this battle, mainly because former commerce ministers such as Li Lanqing 李岚清 and Wu Yi 吴仪 were promoted to senior positions in the State Council, assuming higher ranks than former foreign ministers.

While the CIDCA took over MOFCOM’s aid coordination powers, its mandate goes beyond MOFCOM’s previous mandate. It is defined as follows:

formulate strategic guidelines, plans and policies for foreign aid, coordinate major foreign aid issues and make suggestions [to the government], promote the reform of foreign aid modes, formulate foreign aid programs and plans, determine foreign aid projects, and supervise and evaluate their implementation. The specific implementation of foreign aid is still undertaken by the relevant departments according to the division of labour.

拟订对外援助战略方针、规划、政策，统筹协调援外重大问题并提出建议，推进援外方式改革，编制对外援助方案和计划，确定对外援助项目并监督评估实施情况等。援外的具体执行工作仍由相关部门按分工承担。

(CIDCA n.d.).

First, CIDCA was tasked with representing the Chinese government in aid negotiations with recipient countries and sign international agreements in its name. It should draft country strategies for recipient countries, allocate foreign aid funds, decide on aid projects, supervise their implementation and evaluation, and conduct aid policy reviews. However, CIDCA’s role was limited to coordination and management, while the responsibility for the execution of

foreign aid projects remained with the same twenty-plus central and provincial line ministries, commissions, and agencies that were in charge under the old system led by the Ministry of Commerce; on the ground, aid projects were still implemented by Chinese companies.

Second, CIDCA was tasked with drafting a national aid law and coherent aid regulations for ministries and other government agencies in charge of implementing foreign aid projects. At the time CIDCA was established, China did not have an overarching, binding national law regulating foreign aid (and there was still none in place at the time this dissertation was completed). All activities related to Chinese foreign aid – at the administrative and executive levels – were governed by internal regulations and guidelines that were binding only within the government agency that issued them. In the absence of an aid law, there was no legal basis to ensure the coherence of the various internal guidelines and the actions of various agencies. After the establishment of the CIDCA, the absence of an aid law became an even more pressing issue, as new questions now arose regarding the authority and coordination powers between the CIDCA and other executing ministries, writes the legal scholar Cao Junjin 曹俊金 (2018, 53). However, CIDCA has not only been tasked with drafting a national aid law but also with leading coordination efforts to mitigate the above challenges until the gaps in the legal system are addressed.

Third, CIDCA had the mandate to further the reform of China's foreign aid system to address the above challenges. At the institutional level, this included designing a unified foreign aid management system and a new inter-ministerial coordination mechanism to ensure alignment between policy planning and implementation. In terms of implementation, CIDCA was tasked with reforming and optimizing the modes of aid delivery and improving the oversight and evaluation of foreign aid projects. Hereby, it should also develop a budget management system for foreign aid funds to ensure that aid spending was trackable and loopholes that allow irregular spending are closed. The latter objective was particularly important in light of the highly controversial domestic debate in China over the efficacy of aid, in which some voices have been increasingly critical of China's increased aid spending and have complained that the government is squandering the money abroad instead of using it to develop China's own poor regions (see section 3.4.1). In a televised interview during the March 2019 National People's Congress legislative session, CIDCA Director Wang Xiaotao sought to allay such concerns, saying: "Please be assured that we calculate very carefully and work with a strict budget, making sure that every *fen* [the smallest unit of China's currency] is spent well" (我们会精打细算，确保花好每一分钱，也请大家放心) (CCTV 2019).

Finally, the most significant difference between the Ministry of Commerce's previous mandate and the CIDCA's new one was that the CIDCA not only supposed to coordinate foreign aid but was now also expected to provide strategic recommendations on major foreign aid issues to China's top leadership, particularly about how aid could better serve the overall goals of Chinese diplomacy and the BRI. This new, closer alignment with foreign policy goals was reflected in the governance structure whereby the new agency directly reports to Wang and Yang, the country's two most senior foreign policy officials. Wang Xiaotao, in his televised interview quoted above, also reiterated that CIDCA's main task is "to serve China's great power diplomacy and promote the BRI" (服务好中国特色大国外交和“一带一路”建设) (CCTV 2019).

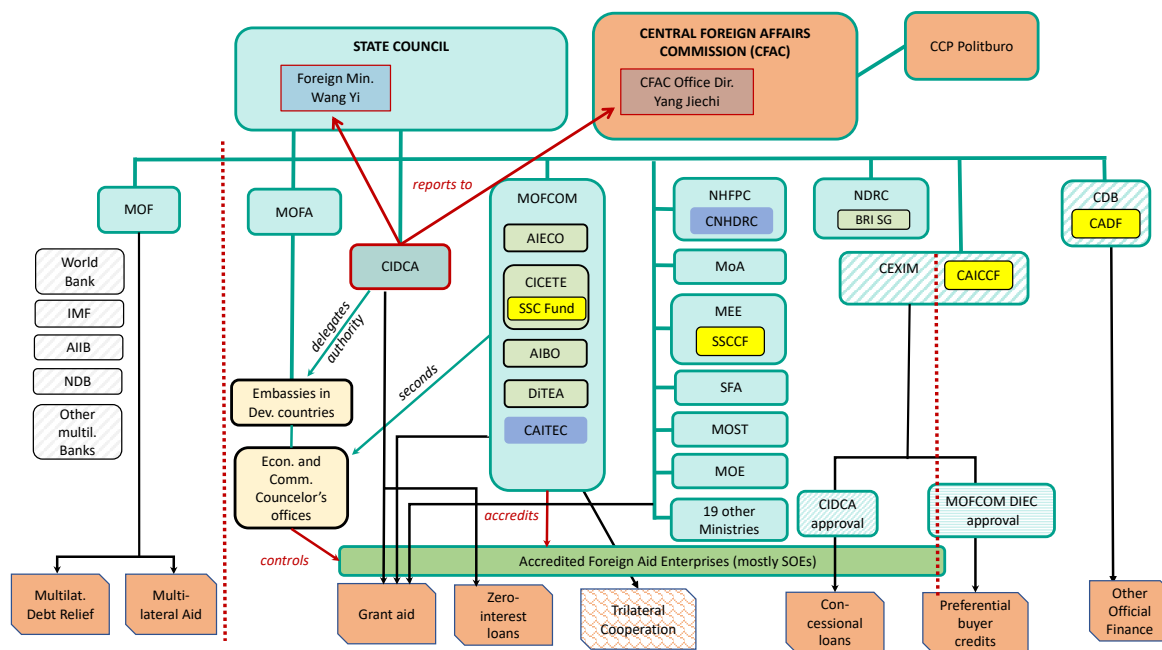
4.3.3 Linger questions

For Chinese commentators, CIDCA's highly ambitious agenda was a clear sign that, after years of considerable growth in China's development finance, the underlying bureaucratic system was beginning to "mature" (*chengshu* 成熟) (Zhang Yanling 张燕玲 2019). Nevertheless, important issues remained unresolved. For example, the establishment of CIDCA did not result in an increase in staff managing Chinese foreign aid. The 2018 reform effectively turned the Department of Foreign Aid into a stand-alone agency with wide-ranging responsibilities, but CIDCA essentially retained the staffing of its predecessor. It employs only about 100 staff members, which is roughly the same number as the Department of Foreign Aid had at its founding in 1982 – and very few compared to international development co-operation agencies in other countries. As noted in 4.1.1, the German Federal Ministry of Economic Co-operation and Development (BMZ), for example, employs about 1,100 staff who manage a similar scope of responsibilities (BMZ 2010–2020). This means that the problem OECD-DAC chair Richard Manning observed during his visit to Beijing in 2007, namely that China's foreign aid was "reeling" from the continuously rising aid commitments, particularly to Africa ("Foreign Assistance: OECD Visitor on China's Limited Willingness to Discuss Its Donor Role" 2007) – I discussed this observation in Chapter 3 – remains unresolved till today.

Other challenges remain too. Although the CIDCA was created to tackle bureaucratic fragmentation, the reform did not change the system. China's aid governance still remains fragmented, as can be seen in Figure 18. It actually might lead to new frictions with MOFCOM, which is still largely in charge of executing Chinese aid projects. While the CIDCA is supposed to coordinate the ministry's aid execution, its bureaucratic rank is lower than that of the ministry.

As long as there is no national legislative framework to define their institutional relationship, the two organizations could disagree over their respective scopes of authority. Figure 18 illustrates the new CIDCA-led foreign aid administration system.¹⁴⁷

Figure 17 New CIDCA-led Foreign Aid Administration System



Source: Own figure

As a vice-ministry body, within the administrative structure, CIDCA reports directly to China's highest administrative authority, the State Council 国务院 – and therein to the State Councillor and Minister of Foreign Affairs Wang Yi 王毅. Within the party structure, which is more important than the administrative structure, CIDCA reports to Yang Jiechi 杨洁篪, the Director of the General Office of the CCP Central Foreign Affairs Commission (*Zhongyang waishi gongzuo weiyuanhui bangongshi* 中央外事工作委员会办公室, CFAC). The CFAC, formerly known as Central Foreign Affairs Leading Small Group (*Zhongyang waishi gongzuo lingdao xiaozu* 中央外事工作领导小组, FALG) is the highest foreign policy decision-making

¹⁴⁷ The illustration is based on openly accessible information on the web pages of the respective government agencies and an expert conversation with a CIDCA delegation in Bonn in June 2019. The red dotted lines demarcate foreign aid flows from other official flows.

organ in China's political system. It is chaired by CCP General Secretary and China's President Xi Jinping, and the Vice-chair is Premier Li Keqiang; the remaining members are comprised of State Councillors and relevant ministers. Yang Jiechi served as Foreign Minister from 2007 to 2013, before heading the General Office of CFAC predecessor FALG. This moved foreign aid institutionally much closer to foreign policy, in contrast to its earlier, more commercial orientation. It is not unlikely that CIDCA will also need to coordinate with NDRC's Leading Small Group in BRI, which acts as the secretariat for all BRI activities.

CIDCA's responsibilities include: (1) policy making: formulating strategic guidelines and policy planning; (2) overall coordination of major aid-related issues and making suggestions (to the State Council and CFAC); (3) advancing the reform of foreign aid modes; (4) formulation of foreign aid programs and plans; (5) decision making on foreign aid projects, and supervision and evaluation of their implementation; (6) support of the BRI. For interest-free loans and grant aid projects, CIDCA conducts joint political review with MOFCOM's Department of Outward Investment and Economic Co-operation (DOEIC; *Duiwai touzi he jingji hezuo si* 对外投资和经济合作司); then projects are passed on to MOFCOM's other subordinate implementation agencies. Furthermore, CIDCA approves the concessional loans of the Exim Bank.

CIDCA is not in charge of executing Chinese foreign aid projects. This responsibility has remained with MOFCOM. MOFCOM's DOIEC is responsible for in connecting foreign aid to foreign investment of Chinese companies. MOFCOM's Agency for International Economic Co-operation (AIECO; *Guoji jingji hezuo shiwu ju* 国际经济合作事务局) manages and supervises complete aid projects. The China International Centre for Economic and Technical Exchanges (CICETE; *Zhongguo guoji jishu jiaoliu zhongxin* 中国国际经济技术交流中心) under MOFCOM manages goods and material aid as well as the South-South Co-operation Fund (*Nannan hezuo zijin* 南南合作资金), which China set up after the SDG-Summit of 2015. MOFCOM's Academy for International Business Officials (AIBO; *Shangwubu peixun zhongxin* 商务部培训中心) is in charge of all foreign aid training programs. Line ministries assume implementation management responsibility for projects in their subject areas, similar to the responsibilities, and the MOF is in charge of multilateral aid and relations to MDBs, as described in section 3.3.1. MOFCOM's Economic and Commercial Counsellor's Offices (ECCO; *Jingji shangwu chu* 经济商务处) in Chinese Embassies and Consulates are still responsible for monitoring the project on the ground. CIDCA has no supervisory authority over the ECCOs. Because of the inherent bureaucratic stovepiping in the Chinese political system,

the question is how much exchange there will actually be between CIDCA and the ECCOs. As of now, the MOFCOM's Department of Internal Trade and Economic Affairs (DITEA) 国际经贸关系司 – which was traditionally responsible for coordinating incoming aid (and did not play a role in aid giving, see section 3.3.1 and Fig. 3-3) – officially remains the point of contact for international donors, including the UN agencies. This is the case even though the CIDCA is ostensibly the official aid agency mandated to carry out international exchange and co-operation on foreign aid. This state of affairs, in turn, is directly relevant for international donors looking to partner with China, in the context of trilateral co-operation projects, for instance. It would simplify trilateral co-operation with China if the CIDCA were to take over donor relations. Nor is CIDCA in charge of the two special funds for South-South co-operation set up by Xi Jinping after the SDG Summit 2015: The 3 billion US-Dollar¹⁴⁸ South-South Co-operation Assistance Fund (*Nannan hezuo yuanzhu zijin* 南南合作援助资金) is administered by CICETE (CICETE n.d. b). The South-South Co-operation Climate Fund (*Nannan qihou bianhua hezuo zijin* 南南气候变化合作资金) is administered by the Ministry of Ecology and Environment (*Shengdai huanjing bu* 生态环境部). The China-Africa Development Fund (CADF; *Zhongfei fazhan jijin* 中非发展基金), which was set up at FOCAC 2006, is administered by the China Development Bank, and the China-Africa Industrial Capacity Co-operation Fund (CAICCF; *Zhongfei channeng hezuo jijin* 中非产能合作基金), which was set up at FOCAC 2015, is administered by the Exim Bank. CADF and CAICCF are both equity funds and are not counted as foreign aid, but they are often mistaken to be parts of China's foreign aid program.

How CIDCA might want to approach foreign aid in the future, is outlined in the draft “Measures for the Administration of Foreign Aid” 对外援助管理办法 (征求意见稿), which were published in November 2018 (CIDCA 2018). As CIDCA is still in the process of consolidation and the Measures have not yet been adopted (as of March 2020), they must be read as a kind of roadmap for the future. According to the Measures, CIDCA will be in charge of international exchange and co-operation on aid and development (Art. 5) participate in development policy dialogues (Art. 15) and coordinate project oversight on the ground (Art.

¹⁴⁸ The fund was initially announced with 2 billion US-Dollar. At the first BRI Forum in May 2017, Xi announced to increase the fund's capital by 1 billion US-Dollar.

34). From a general international development co-operation perspective, as the landscape of development co-operation is changing with the newly arising global challenges, exchange and co-operation are crucial to ensure that development resources are spent wisely and prevent doubling or unsustainable projects. So far, China participated selectively in co-operation and joint research activities but rarely joined international development policy dialogues or donor coordination rounds. Therefore, stronger dialogue participation by China in international exchanges, such as UN or OECD dialogues on development effectiveness, is more than overdue. The same is true for the exchange on the implementation level in recipient countries. Until now, MOFCOM's Economic and Commercial Councillors, responsible for supervising the implementation of Chinese aid projects on the ground, did not have the mandate to participate in donor coordination. All the questions had to be directed to Beijing. Therefore, CIDCA should ensure that whoever will represent it in recipient countries in the future has the mandate to speak on behalf of the Chinese government – as is the case with aid representatives of DAC donors.

Second, the Measures stipulate that CIDCA should ensure that its country strategies (Art. 10) align with national and regional development plans of recipients and clearly define how Chinese aid will contribute to achieving specific national and regional objectives UN sustainable development goals (SDGs). The reason why China itself benefited greatly from development assistance is that in both Soviet aid in the 1950s and OECD-DAC aid after 1978 the Chinese government always remained in the driver seat to ensure that aid supports its development agenda. A study by Irene Yuan Sun et al. (2017) on China's engagement in Africa has shown that whether or not broad segments of recipient country population benefit from Chinese development finance depends on how well recipient governments can translate their development priorities into development co-operation requests. Therefore, CIDCA should develop country strategies jointly with recipient governments, and in the process, share China's own recipient experience in aligning its aid demands with national development priorities. This way, it will build capacities in recipient countries to make better and more effective use of Chinese development finance.

Third, the Measures declare that to monitor foreign aid projects' development effectiveness, CIDCA will establish an evaluation system projects (Art. 36) and organise project evaluations. Continuous improvement of development effectiveness requires effective monitoring and evaluation prerequisite to ensuring that the money spent indeed supports economic and social development in recipient countries. Impact assessments need to be evidence-based and

transparent to allow for adjustments during project implementation and systemic ex-post learning. However, while CIDCA itself should implement the monitoring of aid projects, evaluation should be conducted by independent organisations. It remains to be seen who can take on this role and whether the evaluations will be made public. As of now, there are few signs that China will be ready to move along this path.

Fourth, the Measures stipulate that CIDCA shall set up a statistical system for foreign aid (Art. 38). This presents a chance to improve the transparency of China's aid system. The task is by no means a new one. In fact, MOFCOM's 2014 "Measures for the Administration of Foreign Aid" also included the promise to set up a statistical system. The fact that the same passages are verbatim found in CIDCA's 2018 draft indicates the difficulty of the task. Whichever form the system will take on in the future, it is of utmost importance that it will be comprehensive and transparent, publishing statistical data annually or at least every 2-3 years. It should also provide disaggregated data. This is important for both China and the recipients. In the past, international donors were frequently approached by recipient countries, asking if they know the full scope of official Chinese development finance in their countries. This shows that recipients of Chinese aid do not have access to comprehensive information about Chinese aid projects in their countries.

Finally, China's traditional modes of delivery have been hitting their limits, too. Rooted in its political non-interference policy (except for the One China Principle), the standard mode of operation was government-to-government agreements. Along these lines, Chinese companies that implement aid projects on the ground rarely engaged with local stakeholders such as civil society or NGOs and typically communicated with the local and central government in recipient countries. As mentioned above, this has resulted in numerous conflicts, environmental protests and social unrest. As CIDCA is tasked with the reform of China's foreign aid modes (Art. 12), it should also ensure that in the future, Chinese aid projects engage stakeholders on multiple levels from the start, taking concerns by NGOs and local communities seriously.

Almost two years into its existence, CIDCA appears to be still in the process of consolidation, and it remains to be seen how the role agency will develop.

Chapter 5: Credit Risk Management Regulations for Chinese Policy Banks

5.1 Context: Policy Banks Since the Inception of BRI

5.1.1 The “Debt Trap” Debate

After Xi Jinping acceded to power at the 18th National Congress of the Chinese Communist Party as General Secretary in November 2012¹⁴⁹, the Chinese – and international – debate on Chinese development financing underwent a major shift. Xi broke with the tradition that had been put forward by Deng Xiaoping after the Tian’anmen Square crackdown of 1989, and that had been upheld by Chinese leaders ever since, namely to pursue a reactive foreign policy, described in Chinese as *taoguang yanghui* 韬光养晦 – literally “hiding one’s capacity while biding one’s time” (Wang 2014; Callahan 2016). Instead, at the CCP foreign affairs conference on 24 October 2013, Xi formally presented the strategy of *fenfa youwei* 奋发有为, “striving for achievement”¹⁵⁰ which signalled a shift to a proactive *daguo waijiao* 大国外交, “great power diplomacy” or “major power diplomacy” (Yan Xuetong 2014).¹⁵¹ The most visible manifestation of this foreign policy shift was the launch of the “Belt and Road Initiative” (*Yidai yilu* 一带一路, BRI), first announced by Xi during official visits to Kazakhstan and Indonesia in 2013. Originally aimed at increasing co-operation with neighbouring states (Godehard 2014), the scope was quickly expanded to a globally oriented initiative, unveiled by the Chinese government in the BRI Action Plan in March 2015 (Xinhua 2015). The BRI Action Plan aims

¹⁴⁹ Xi was elected as China’s President at the National People’s Congress in March 2013, but his title of the CCP General Secretary is more important than his title as President of the PRC.

¹⁵⁰ “Striving for achievement” is not the official translation for *fenfa youwei* 奋发有为. Rather, it was apparently proposed by one of China’s leading international relations scholars, Yan Xuetong (2014), and subsequently picked up by other scholars of Chinese IR (e.g. Shih and et al. 2019; Wacker 2015). The more literal translation would be “to be enthusiastic and dashing”.

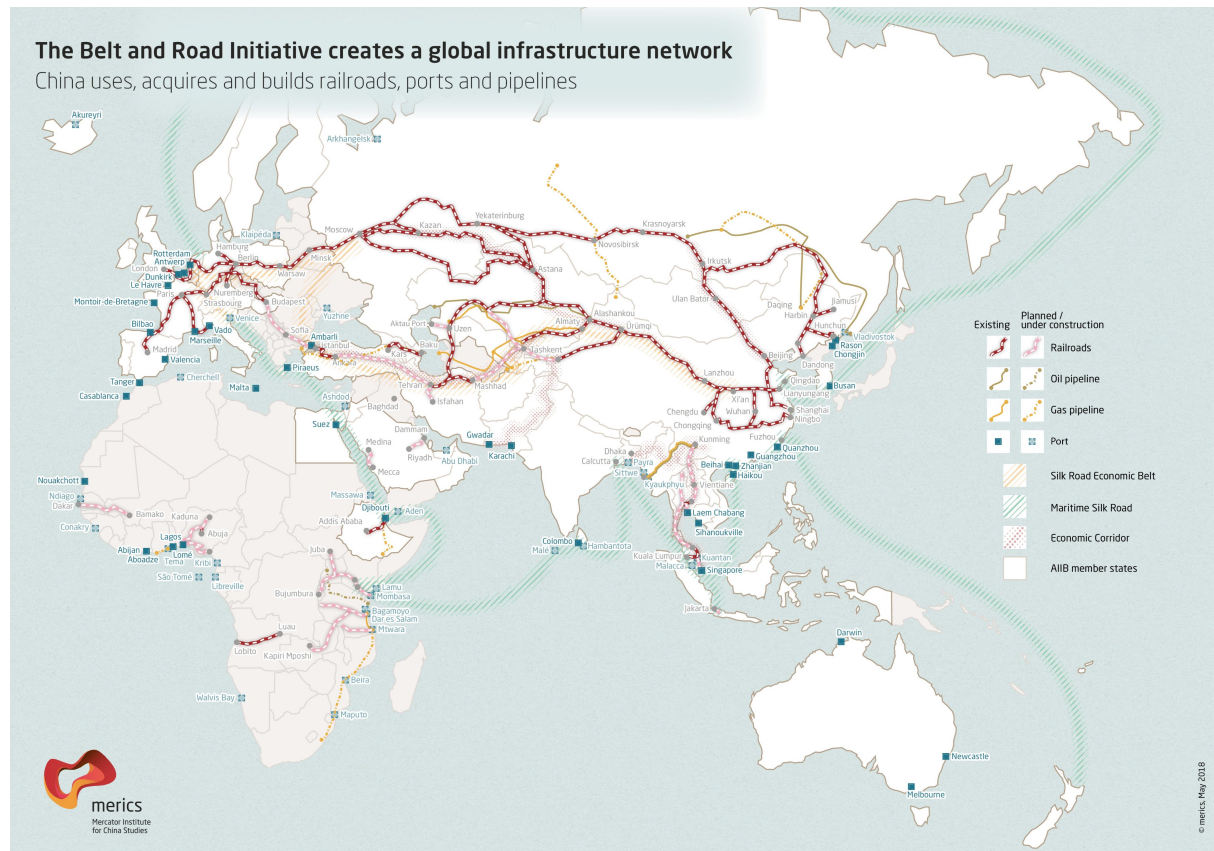
¹⁵¹ The original passage from Xi’s 2013 speech (Xinhua 新华 2013) reads:

In order to realise the “two centenary goals” and the China Dream of the great renaissance of the nation, we must do a good job in neighbourhood diplomacy. We must be more enthusiastic and dashing in our neighbourhood diplomacy, create a good environment for our development, make our own development to better benefit our neighbours, and realise common development.

做好周边外交工作，是实现“两个一百年”奋斗目标、实现中华民族伟大复兴的中国梦的需要，要更加奋发有为地推进周边外交，为我国发展争取良好的周边环境，使我国发展更多惠及周边国家，实现共同发展。

at promoting connectivity between China and the rest of the world and encompasses five land routes from China through Central Asia to Europe and one maritime route from China to Europe through the Indian Ocean (see Figure 19); its geographic scope encompasses 138 countries with a combined GDP of 23 trillion US-Dollar and 4.4 billion people (63 per cent of the world's population).

Figure 18 Belt and Road Initiative



Source: MERICS 2018

Xi himself described BRI as encompassing nearly everything: finance, infrastructure, innovation, trade, transportation, sustainability, and people-to-people connectivity (Xinhua 新华 2017b). China's state news agency *Xinhua* 新华 (2017a) headlined that BRI was the "Chinese solution to the global economic blues." However, to date, the Chinese government has provided neither an official definition of the BRI nor what constitutes a BRI project (Ang 2019). Rather, argues Yuen Yuen Ang, the BRI resembles traditional Chinese "policy campaigns", meaning that "the top commander mobilizes bureaucrats, entrepreneurs, and even ordinary citizens toward a single vision. These campaigns have the advantage of inspiring mass

participation and achieving quick results, but the scale and speed of the action they inspire, combined with a lack of coordination, usually produce a string of blunders” (ibid.).

This ambiguity led to very diverging assessments among Western experts of the possible impact of BRI on low- and middle-income countries. Branco Milanović (2017), formerly a lead economist at the World Bank’s research department, argued that BRI

[...] brings us back to a philosophy that prevailed in development lending before the 1980s. Development does not happen by itself and it is not just a matter of having the right prices, lowering taxes and deregulating everything. For development to happen, you need “hard” stuff: you need roads for farmers to bring their goods, you need fast railroads, bridges to cross the rivers, tunnels to link communities living at different ends of a mountain. [BRI] proposes an activist view of development scaled up to the level of three continents.

The leading provider of credit ratings, Fitch Ratings, on the other hand, stated in a widely quoted report that the financial volume of projects planned under BRI amounted to “an extraordinary 900 billion US-Dollar” and warned that BRI was primarily driven by China’s efforts to relieve domestic industrial overcapacity – and to expand its global influence (Phillips 2017; *Reuters* 2017a). Chinese-funded projects in transport, energy, and telecommunications infrastructure might help address infrastructure needs in low- and middle-income countries, but some of the loans were large enough to create substantial debt-servicing problems in the borrowing countries (ibid.).

Concerns over unsustainable debt led to the creation of a new meme: China’s “debt-trap diplomacy” (Brautigam 2019). The term was coined by the Indian political scientist Brahma Chellaney, Professor of Strategic Studies at the New Delhi-based Centre for Policy Research. Chellaney (2017) argued in an article published in January 2017 on the online commentary platform *Project Syndicate* that “the projects China proposes are so big and appealing and revolutionary that many small countries can’t resist. [...] They take on loans like it’s a drug addiction and then get trapped in debt servitude”. To him, it was “clearly part of China’s geostrategic vision” to entrap countries through oversized loans linked to the Belt and Road Initiative. The debate escalated further, when in June 2017, Sri Lanka handed over the Hambantota port to China for a 99 years lease, allegedly because it could not service the Chinese loans provided in the framework of BRI (Schultz 2017). *The New York Times* cited critics who said that “the lease could set a precedent for Sri Lanka and other countries that owe money to China to accept deals that involve the signing over of territory” (ibid.) – in ways that European countries had engaged in some two centuries earlier, following the Opium Wars in the 1840s. The claim that China was deliberately seeking to entrap countries in debt to generate a strategic advantage was amplified by other articles in major newspapers (e.g. by Larmer

(2017) in *The New York Times* and Pomfret (2018) in *The Washington Post*), as well as by the U.S. Secretary of State Mike Pompeo and other members of the Trump administration, all of whom accused China of its infrastructure loans being a source of unsustainable debt (*Reuters* 2018a). Thus, Chellaney's "debt-trap diplomacy", to quote Deborah Brautigam (2019, 2), began "to solidify as firm conventional wisdom" about Chinese development lending. Similarly, I would argue, as "Rogue Aid" became conventional wisdom and the conventionalized "manner of speaking" about China's foreign aid (similar to Chinese *tifa* 提法) after Moisés Naím's homonymous opinion piece in *Foreign Policy* in 2007.

The validity of the "debt-trap diplomacy" accusation has been contested by several scholars (e.g. Hurley, Morris, and Portelance 2018; Ma 2019; Sautman and Yan 2019; Brautigam 2019; Kratz, Feng, and Wright 2019). All highlight that Hambantota is the only known case of asset transfer, and that, furthermore, the Sri Lankan case was not a default; rather, the newly elected government offered the deal to China to get rid of a deficit-running port it had inherited from the previous government (Sautman and Yan 2019). However, legitimate concerns over the implications of Chinese development finance for the debt sustainability of borrowing countries, particularly the low-income countries, prevail. Estimates by Germany's Kiel Institute for the World Economy suggest that the debt owed to China increased ten-fold between 2000 and 2017 (Horn, Reinhart, and Trebesch 2019), making China the largest official creditor surpassing the World Bank or the IMF. Half of the debt, the authors argue, was "hidden", meaning that the borrowing was not reported to the IMF, the World Bank or the Paris Club, representing the creditor countries of the OECD.¹⁵² Speaking at the IMF-People's Bank of China (*Renmin yinhang* 人民银行, PBOC) conference in Beijing in April 2018, the IMF Managing Director Christine Lagarde warned that the large scale spending of the BRI carried "a risk of potentially failed projects and the misuse of funds" (Lagarde 2018).

At the second "Belt and Road Forum for International Co-operation" ("*Yi dai yi lu*" *guoji hezuo gaofeng luntan* "一带一路"国际合作高峰论坛) in April 2019, Xi Jinping announced a new "Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative" (*Yi dai yi lu zhaiwu kechixuxing fenxi kuangjia* 一带一路债务可持续性分析框架,

¹⁵² Recent papers by researchers at the IMF (2020) and by SAIS-CARI's Deborah Brautigam and Kevin Acker (2020) argue that the estimates made by Horn, Reinhart, and Trebesch (2019) on "hidden" loans to African countries are too high.

BRI-DSF). Observers interpreted the BRI-DSF outside of China as part of a general shift in China's rhetoric on development lending and a response to concerns about debt sustainability of countries borrowing under the BRI (Ma 2019; Malm 2019; Morris and Plant 2019). The Chinese Minister of Finance Liu Kun 刘昆 (1956-) and the Governor of the PBOC Yi Gang 易纲 (1958-) respectively acknowledged the risks of large-scale lending to developing countries and the need to strengthen debt and risk management (CGTN 2019). Among Northern donors, the BRI-DSF received much attention, but not the fact that it was “non-mandatory”.¹⁵³

5.1.2 Why We Must Consider Policy Banks When Talking About Chinese Aid

The China Development Bank (CDB; *Guojia kaifa yinhang* 国家开发银行), has become the world's largest development finance institution.¹⁵⁴ Together with the China Export-Import (Exim) Bank (*Zhongguo jinchukou yinhang* 中国进出口银行), it provides the lion share of development finance in the context of the BRI, primarily in the form of project loans (*xiangmu daikuan* 项目贷款). Many Chinese projects consist of “blended finance” which can mix concessional loans from the Exim Bank with market loans from CDB and/or commercial banks. They are, as a rule, implemented by SOEs and have a *foreign aid* grant technical assistance component (see, e.g. Sun (2014) or the case study of Chinese development co-operation with Ethiopia in Morgan and Zheng (2019)). The project agreement China and Ghana signed in 2017 is such an example of blended finance. It included a 2 billion US-Dollar resource for infrastructure deal with the state-owned construction company Sinohydro, which would build roads and bridges in exchange for the rights to mine bauxite ore in the Upper Guinean Rainforest (commercial), a 300 Million RMB (42,7 million US-Dollar) grant, and debt forgiveness amounting to 35,7 million US-Dollar (foreign aid) (Nyabiage 2019).

¹⁵³ This information is derived from conversations with representatives of German, French and Swedish donor agencies, that took place between June and December 2019.

¹⁵⁴ The CDB has the legal form of a state-owned shareholding corporation; with four shareholders: the Ministry of Finance with 36.54 per cent, the sovereign wealth fund Central Huijin Investment Co. (*Zhongyang huijin touzi youxian zeren gongsi* 中央汇金投资有限责任公司) with 34.68 per cent, the Wutongshu Investment Platform Co. (*Wutongshu touzi pingtai youxian gongsi* 梧桐树投资平台有限公司) of the State Administration of Foreign Exchange (*Guojia waihui guanli ju* 国家外汇管理局, SAFE) with 27.19 per cent and the National Council for Social Security Fund 全国社会保障基金理事会 with 1.59 per cent (CDB 2015). Its top leadership is appointed by the personnel department of the CCP. The CDB presently has 7 directors.

Technically, the CDB and Exim Bank project loans¹⁵⁵ do not count as China's foreign aid, and several scholars (Brautigam 2015b; Hwang, Brautigam, and Eom 2016; D. Zhang 2018a) have highlighted that confusing these loans with foreign aid has led to overestimations of Chinese foreign aid volumes. Such warnings, however, have not changed much the perception of China among aid policymakers, not least because think tanks, in particular, tend to compare BRI flows against DAC-ODA. For instance, a recent study by the German Bertelsmann Foundation, although titled "What the West Is Investing along China's New Silk Road – A comparison of Western and Chinese financial flows", actually compared BRI estimates with EU ODA flows (Taube and Hmaidi 2019). Moreover, since the inception of the BRI, the Chinese discourse has a focus on how to integrate better "foreign aid flows" with policy-based "development co-operation" (*kaifaxing hezuo* 开发性合作), i.e. how to make them serve common strategic goals (see, e.g. Shi Yulong 史育龙 et al. 2018 of the NDRC's think tank China Academy of Macroeconomic Research (*Zhongguo hongguan jingji yanjiuyuan* 中国宏观经济研究院) or Huang Meibo 黄梅波 2019). At the same time, the new U.S. development agency International Development Finance Corporation (DFC) was created to partner with private finance for development – and has been understood as a direct response to BRI (Lo 2020). The U.S.-shift is representative of what Emma Mawdsley (2018) has called the "southernisation of development", namely an increasing movement from aid to development finance and the exploration of ways to blend aid-like finance with trade and investment. In turn, since the inception of the BRI, however, as will be shown in this chapter, the policy banks – particularly the CDB, whose commercialisation process had been reversed in 2015 – are moving further and further "north".

Originally, the CDB was established in 1994 as a "policy-based financial institution" (*zhengcexing jinrong jigou* 政策性金融机构) with its main task to support China's construction of *lianggao yizhi* 两高一支, literally "two heights and one branch", which stand for infrastructure, basic industry and pillar industries (基础设施、基础产业和支柱产业) (Nie Ou 聂欧 2012). After China started to substantially increase its lending to African countries through FOCAC, in December 2008, the CDB underwent a "commercialization reform" (*shangyehua gaige* 商业化改革) and was transformed into a "joint-stock corporation" (*gufen*

¹⁵⁵ Unlike Exim Bank's foreign aid concessional loans (*duiwai yuanzhu youhui daikuan* 对外援助优惠贷款).

youxian gongsi 股份有限公司) adopting operational processes of commercial banks; but it still continued to operate with official financing through the issuing of bonds. Thus, the CDB became a hybrid institution, which was, on the one hand, supposed to operate based on commercial incentives while at the same time catering to national strategies (Jin Yu 金彧 2015).¹⁵⁶ The reform, however, was rated as unsuccessful by Chinese analysts who argued that the CDB maintained a hybrid identity of being half a policy bank and half a commercial bank (ibid.). Nevertheless, when the global financial crisis of 2008 forced big Western companies like Citigroup, HSBC or the Deutsche Bank to limit their lending, the CDB used the opportunity to expand its overseas lending (Chen 2013). According to the South China Morning Post, by the end of 2011, CDB's outstanding loans reached 5.52 trillion RMB (ibid.); by 2017, this figure almost doubled (China Development Bank 2019). While the CDB does not provide a breakdown of its overseas and domestic loans, it was estimated that by the end of 2011, about one quarter to one third were US-Dollar-denominated offshore loans (Chen 2013). After the launch of BRI, the State Council decided to revise the commercial transition of the CDB by ordering it "to adhere to its positioning as a development finance institution" (要坚持开发性金融机构定位) (State Council 2015). According to Guo Tianyong 郭田勇, Director of the China Banking Research Centre at the Central University of Finance and Economics (*Zhongyang canjing daxue Zhongguo yinhangye yanjiu zhongxin* 中央财经大学中国银行业研究中心), it was the first time that the State Council explicitly defined CDB's role as such (Yu Xuefei 余雪菲 2015).¹⁵⁷ With that, the CDB is still allowed to operate both policy-based and commercial finances, but its primary business remains not-for-profit oriented policy-based finance. The CDB's policy-based finance was to focus its operations on time- and cost-intensive civil engineering and infrastructure development projects, to counteract the domestic recession – and to support BRI projects (Jin Yu 金彧 2015).

¹⁵⁶ The former chairman of the CDB, Chen Yuan 陈元, said in a media interview in April 2009, that "after CDB became a commercial bank, national policies still take priority over profit in the bank's considerations" (国开行成商业银行后仍优先考虑政策而非利益) (Jin Yu 金彧 2015).

¹⁵⁷ According to a background analysis in the newspaper *Xinjingbao* 新京报 (*Beijing Evening News*), the announcement signified the conclusion of a long debate inside the Chinese leadership about the status of the policy banks (Jin Yu 金彧 2015).

Thus, while it is important to understand the differentiation between foreign aid flows and policy-based development finance flows, it is also important to grasp the reform dynamics of policy banks since the inception of the BRI.

5.2 Text: Reading Aid Policies since the inception of BRI

5.2.1 Chinese Policy Banks in Comparative Perspective and Why the BRI-DSF Could Only be “Nonmandatory”

One possible reason, which I can deduce from my conversations with staff at European donor agencies, is that it was simply assumed that it was a mandatory tool because it was issued by the Chinese Ministry of Finance (MOF), and it was also assumed that the MOF had authority over the policy banks CDB and Exim. There are two underlying reasons for this assumption: first, in most major donor countries, development banks are subordinate to a ministry, and second, the ministry that is in charge of multilateral development finance is also in charge of bilateral development finance. For instance, in Germany, the state-owned development bank Kreditanstalt für Wiederaufbau (KfW) is an implementing agency of the Federal Ministry of Economic Co-operation and Development (BMZ), the responsible department within the German government for German ODA and coordinates German contributions to the MDBs. The Japan Bank for International Co-operation (JBIC) is supervised by the Japanese Ministry of Finance, which also plays a key role in funding ODA loans (which are implemented by the Japan Agency for International Co-operation (JICA)) and manages Japan’s contributions to MDBs. In the United Kingdom, the development finance institution Commonwealth Development Co-operation operated under the Department for International Development (DFID) responsibility, the government department responsible for overseeing UK’s ODA and contributions to the MDBs. There is a lot of exchange between national and multilateral structures in all of these countries, as staff from national development banks, ODA-implementing agencies and responsible departments are frequently seconded to MDBs. In China, the MOF is in charge of multilateral development assistance, and many of my European interlocutors had met MOF staff, for example, at World Bank conferences. Therefore, they automatically assumed that the CDB and Exim Bank were subordinate to the MOF, or if not, then to MOFCOM or CIDCA.

However, the institutional landscape of China’s international development co-operation differs substantially from the positioning of development (policy) banks in other major donor

countries. The MOF has no authority over the CDB and Exim Bank. Instead, as shown in Figure 4-2 (in section 4.3.3), both are situated directly under the State Council. The CDB has a bureaucratic rank of a ministry, and thus, it occupies the same rank in the Chinese bureaucratic hierarchy as the MOF (or the MOFCOM). The Exim Bank has a vice-ministerial rank and is thus equal to the new aid agency CIDCA, which approves its foreign aid concessional loans. Thus, the positioning of CDB and Exim Bank in the institutional landscape of China's international development co-operation differs substantially from the positions of development banks in major DAC donor countries. The only authority by whose directions they are bound, except for the State Council, is the China Banking and Insurance Regulatory Commission (*Zhongguo yinhang baoxian jian du guan li wei yuan hui* 中国银行保险监督管理委员会, CBIRC).¹⁵⁸ Hence, for systemic reasons, a BRI-DSF issued by the MOF could not be mandatory.

5.2.2 A Coin Has Two Sides: The “Debt Trap” is also a “Creditor Trap”

The fact that the BRI-DSF was nonmandatory did not mean that the Chinese government was not concerned about the risks associated with BRI lending. On the contrary, the large number and the sums of debt renegotiations undertaken by China in recent years have repeatedly brought to light questions of debt sustainability and risk assessment in Chinese lending (Hurley, Morris, and Portelance 2018; Kratz, Feng, and Wright 2019; Development Reimagined 2019). The “debt trap” is obviously equally (if not more so) a “creditor trap”, as unsustainable debt poses a risk not only to borrowing countries but to China itself (Ferchen 2018; Kaplan and Penfold 2019).¹⁵⁹ The “hidden” debt, criticised by the German Kiel Institute for the World Economy study (Horn, Reinhart, and Trebesch 2019) quoted above, is a systemic problem: it’s “hidden” for everybody – the IMF and World Bank, the Paris Club, the borrowing countries – and China. How this plays out has been recently documented in a first of its kind study by the Zambian economist Trevor Simumba (2018). Zambia was rated at high risk of

¹⁵⁸ The CBIRC was established in the course of the big institutional reform announced during the March 2018 session of the National People’s Congress (like the CIDCA), by merging the China Banking Regulatory Commission (*Zhongguo yinhang ye jian du guan li wei yuan hui* 中国银行业监督管理委员会, CBRC) with the China Insurance Regulatory Commission (*Zhongguo baoxian jian du guan li wei yuan hui* 中国保险监督管理委员会, CIRC) (see the discussion in Chapter 4).

¹⁵⁹ Venezuela, for example, to which China extended more than 60 billion US-Dollar in loans since 2007 (most of them through the CDB) was unable to service its loans as scheduled after its oil sector collapsed (Ferchen 2018; Kaplan and Penfold 2019).

debt distress by IMF and World Bank in 2017. China, in 2018, accounted for an estimated 28 per cent of Zambia's debt, while very little was and is known about the terms and structure of the loans. A large portion of the loans never reaches Zambia's government accounts but is paid directly by the CDB or Exim Bank to Chinese contractors (Simumba 2018, 8). Loans that are committed but not yet disbursed are not included in the government's official debt figures; the same is the case for contingent liabilities related to sovereign guarantees issued against loans to Zambian SOE's like Zambia Railways (Simumba 2018, 8). In addition, the Ministry of Finance was not always aware of the loans signed by other ministries or parastatals (Simumba 2018, 18). The data collected by Simumba from Zambian and Chinese sources reveals a clear gap pointing to unreported debt. The Chinese embassy in Lusaka, on the other hand, did not have an overview of Chinese loans, and the Chinese ambassador stated that the embassy does not have any direct oversight role over Chinese official lending (ibid.).

In late 2017, while the international debate about whether BRI-loans were a “debt trap” was heating up, the China Banking Regulatory Commission (CBRC; *Zhongguo yanjianhui* 中国银监会) (quietly) issued the “Measures for the Supervision and Administration” (*Jiandu guanli banfa* 监督管理办法) of the three state-owned policy banks CDB, Exim Bank and Agricultural Development Bank of China (ADBC; *Zhongguo nongye fazhan yinhang* 中国农业发展银行) (the ADBC plays no significant role in overseas lending, it is only mentioned here for the sake of completeness). The Measures included extensive provisions designed to disentangle policy-based and commercial lending and reduce financing and debt repayment risks. Conversely, the Measures would potentially contribute to making loans more sustainable.

A quick *Google* search on whether the issuing of the Measures was reported in English language media returned only four noteworthy results: (1) the reform was publicised in English on CBRC's website, explaining that its objective was to “strengthen areas of weakness of the regulatory system, and prevent and resolve the financial risks under the new situation” (CBRC 2017a, 2017b); (2) it was reported in English language Chinese media: the CCP's official English language newspaper *China Daily* published a detailed article on the contents of the reform, with a rather explicit headline “CBRC Tells Policy Banks to Beef up Risk Management” (Jiang 2017); (3) the English language website of the Chinese independent leading economic magazine *Caixin* 财新 published a background article with the headline “New Rules Released on Policy Banks to Enhance Risk Control” explaining, that the new rules filled a “regulatory vacuum” as since their establishment in 1994, the policy lenders operated without any specific

law or regulation (Wu and Jia 2017) – this article was, however, paywalled and therefore probably cannot be counted; (4) and it was also picked-up by *Reuters* (2017b), in a short press release headlined “China Sets New Rules for Policy Banks to Curb Risks” which quoted the Zhou Minyuan 周民源, head of CBRC’s policy banks supervision department, saying that “current regulations were insufficient and that the broadening scope of the policy banks ‘posed a challenge to risk control’”. Of the four English language sources to be found on the world wide web, only one was non-Chinese.

Given the significance of the Measures, the lack of outside-China reporting is astonishing: Not least, because, as mentioned, these articles informed that since their inception in 1994, the policy banks operated in a “regulatory vacuum”: there were no specific laws or regulations for their supervision and management of the policy banks, exploring various pathways between policy-based and commercial finance (Wu and Jia 2017). Instead, they had been operating mainly on the basis of the 1993 State Council document “Decision of the State Council on Reform of the Financial System” (*Guowuyuan guanyi jinrong tizhi gaige de jue ding* 国务院 关于金融体制改革的决定), through which they have been established (State Council 1993). (For me, as a development professional socialised in the DAC development co-operation setting, this was something I, too, would have never imagined.) Thus, the concurrent international debate about the (un)sustainability of Chinese bilateral development lending missed this de facto admittance, that the world’s largest bilateral lender was had been operating largely unregulated since 1994, and that the Chinese government was evidently worried about debt sustainability risks for its borrowers. (Here, one could analyse further to what extent this is coherent with the overall approach of policy experimentation (Heilmann 2018) like I did for the aid system in section 3.3.2.)

5.3 The Consequences: Legal Reform

5.2.1 CBRC Feasibility Study for the Reform of Policy Banks

The 2017 Measures for the Supervision and Administration of Policy Banks were substantially informed by a study of the CBRC’s internal research department that analysed the operating conditions and practices of development finance institutions of nine large DAC donor countries and South-South development co-operation providers – United States, Germany, France, Canada, Japan, South Korea, Russia, Brazil and India (Zhou Minyuan 周民源 et al. 2017). This study, which is an important document for understanding the reform

process – because it documents that Chinese policymakers wanted to learn from the experience of other countries in reforms here – I discovered by chance while researching for articles that could help me interpret the legal text of the new administrative measures in the *China Academic Journals (CAJ)* database. As per the keywords of my search, I was initially searching for articles that were dealing with “risk management” (*fengxian guanli* 风险管理) in Chinese “policy banks” (*zhengcexing yinhang* 政策性银行). One of the results was an article headlined, “Comparative Study of the Operation and Supervision of Policy Banks in China and Abroad” (*Guowai zhengcexing jinrong jigou yu jianguan bijiao yanjiu keti zu* 国外政策性金融机构运行与监管比较研究), published in the journal *Jinrong jianguan yanjiu* 金融监管研究 (*Financial Regulation and Research*) in January 2017 – i.e. the aforementioned study. It was only the preface of the document that informed me that what in this case appeared to be an academic article published in a specialised journal was, in fact, a study the CBRC had commissioned with its inhouse Research Group on the Operation and Supervision of Policy-based Finance (*Yinjianhui zhengcexing jinrong yunxing yu jianguan* 银监会政策性金融运行与监管研究课题组), in order to come up with recommendations for the reform of Chinese policy banks. Moreover, the study was only accessible in CAJ but also on the CBRC’s website. This means that in contrast to the widespread assumption about the general secrecy of Chinese policymaking, this study report was openly accessible – but only in Chinese.

Together, the foreword to the report and the details of the report’s contents provide a deep insight into the policy banks’ financial overseers’ perspective on development and policy banking in general, the state of operations of Chinese policy banks and the reform dynamics in Chinese official development finance. As stated in the preface, in order to develop recommendations for the reform of Chinese policy banks, the CBRC Research Group looked at 26 development and policy finance institutions in nine countries: the United States, Germany, France, Canada, Japan, South Korea, Russia, Brazil and India. It analysed their development history, the legal framework for their operations, their functional positioning within the domestic bureaucratic system, their governance structure, capital sources and capital use, capital replenishment, risk management, institutional setup, policy support, and structures of supervision and external audit. Hereby, it highlighted a number of common international

practices which differed from the state of the policy banks in China, which I explain in the following paragraphs:¹⁶⁰

First, the report mentions the practice to divide policy-based finance institutions into development finance institutions (开发性金融机构) and other policy-based finance institutions (其他政策性金融机构) (p. 4). The authors note that development finance institutions were mainly established to promote industrialization and cater to national economic development and revitalization plans or industrial revitalization strategies. Most of their loans and investments went into large and medium-sized capital construction projects and key enterprises in infrastructure, basic industries and pillar industries. The authors cite the German development bank KfW and the Brazilian development bank as examples of such institutions. At the same time, they highlight that generally, policy-based financial institutions provided a wider range of services and were typically export-import banks or banks catering to small and medium-sized enterprises.

Second, the authors mention that development banks (including the German KfW) usually separated policy-oriented financing and commercial financing into separate subsidiaries (*shuzi gongsi* 属子公司). However, as I have mentioned earlier in this chapter, this is not the case in China, where the CDB conducts policy-oriented and commercial financing.

Third, the CBRC Research Group observed that the U.S., Germany, Japan, Korea and many other countries first adopted legislation on policy finance institutions and then established the institutions according to the law (均先对政策性金融机构进行立法, 再依法设立相应的机构) (p.4). Furthermore, they found that the legal provisions were quite extensive. They note that in most countries, legal provisions cover the purpose of policy-based finance institutions, capital sources, capital use, the scope of business, organisational system, governance structure, management mode, appointment and removal of personnel, supervision and inspection, and legal responsibilities. Furthermore, the Research Group notes that most countries practised what the group here calls “dynamic legal adjustment” (法律具有动态调整性), meaning that the relevant provisions on the functions, business scope and management were revised in line with the historical development of the national strategy and with the countries’ economic development. Here again, the report highlights the example of the German KfW, whose

¹⁶⁰ Here, I focus only on those of the named aspects, which are relevant for overseas development lending.

“Gesetz über die Kreditanstalt für Wiederaufbau” (KfW Law) was revised more than ten times after its enactment in 1948 (p. 5). These elaborations on the legal system’s role elsewhere have to be understood in the particular Chinese context, discussed in section 3.3.2: Unlike in rule-of-law systems, the Chinese state has often pursued loosely institutionalised experimentation to innovate through implementation first - in this specific case, the innovation was the very establishment of the policy banks in 1994 - while laws and regulations followed only much later (Heilmann 2018, 77–90). As a result, Chinese policy banks have been operating without specific legislation since their inception. For foreign aid, as outlined in 3.4.2, the absence of the legislation was considered a major source of lack of transparency and effectiveness.

Fourth, linking to the previous point on the legal environment of the policy banks, the authors also highlight that the policy banks were established based on law and therefore – unlike Chinese policy banks – do not have (or need) a general meeting of shareholders (*gudong dahui* 股东大会) as is the case in China. Instead, they note, the policy banks have a board of directors comprised of representatives and experts from relevant government departments, the parliaments and other central-level and regional-level actors, whose power is again defined by the law. Having a board of directors comprised of experts observes the Research Group –

...is conducive to enhancing the scientificity of decision-making [...]. For example, the supervisory board of the German development bank KfW, which is its highest authority, has 37 members. The seats of Chairperson and Vice-Chairperson are filled alternately by the Ministry of Finance and the Ministry of Economics. Other members include representatives of the German Parliament, the Bundestag, federal government departments, state government departments, banking, industry, community associations, agriculture, handicraft industry, chamber of commerce, the housing industry, labour unions, etc.

有利于提高决策的科学性[...]。如德国复兴信贷银行监事会是其最高权力机构，现有成员37人，其正副主席由财政部和经济技术部部长轮值，其他成员包括联邦议院代表、联邦政府部门代表、州政府部门代表，银行业、工业界、社区协会、农业、手工业、商会、住宅业等代表、工会代表等。

Fifth, the CBRC Research Group highlighted the differences in the financing processes. Taking the German KfW as an example, the authors note that what the bank can fund is relatively clearly defined, with evident capital preservation characteristics and a small profit. They describe that the credit business is considered as long term with a low-interest rate (信贷业务期限较长，利率较低) (p.7) and that financing arrangements are mainly directed at public goods or quasi-public goods. The authors note that the KfW used its commercial arm [Deutsche Investitions- und Entwicklungsgesellschaft (DEG), German Investment and

Development Company] to compensate for losses in the policy sector and thus to maintain financial sustainability.

Sixth, the authors remark that all of the policy finance institutions they studied for the report attached great importance to risk management (非常重视风险管理) (p.8). However, what stands out is their highlighting that in the studied institutions, risk management included not only capital risks but also “moral hazard” (道德风险), for which, the authors note, the banks had independent supervision and other relevant measures in place to prevent insider control and moral hazards.

Seventh, the authors noted that many banks had external branches or local offices; in particular, they highlight that the German KfW had representative offices in 76 countries and regions worldwide to carry out official development assistance on behalf of the German government.

The eighth and final point the authors highlighted in their report was “performance evaluation” (绩效评价). Here, they note that the studied policy-based financial institutions were assessed based on pre-defined policy objectives, which in most cases had no clear index requirement for profits.

Based on these observations, the Research Group identified three sets of pressing challenges for the Chinese policy banks that needed to be resolved (p. 1): (i) how better to ensure that policy-based finance indeed promotes sustainable and healthy economic and social development (如何更好地发挥政策性金融作用，促进经济社会持续健康发展); (ii) how to improve the “theory and practice” (理论与实践) of policy-based finance, namely the present state where the functional orientation and the scope of business were not clearly defined, and where there were substantial legislation gaps, no sound governance mechanisms and insufficient risk mitigation mechanisms (功能定位和业务边界不清、立法严重滞后、治理机制不健全、风险约束机制不完善); and (iii) how to translate political objectives as formulated in reform requirements (改革方案要求) of the State Council into practical reforms which would require the involvement of relevant government departments, supervisory agencies and policy banks (是摆在政府相关部门、监管部门和政策性银行面前的共同课题). I interpret this final point as an indication the authors believed would be a challenge given China’s highly fragmented bureaucratic system and lack of mechanisms for horizontal coordination.

Drawing on their research results (which, as is perhaps obvious to the attentive reader, appears in the same three-partite format as we have seen in the last chapter, evoking the master narrative, showing the problems with it and offering solutions), the CBRC Research Group consequentially issued a set of recommendations for the upcoming policy banks reform. Of these recommendations, the following are of relevance for the provision of overseas development finance:

(1) Corporate governance (公司治理):

The CBRC Research Group viewed it as necessary to recommend increasing the level of professionalism of the Board of Directors and improving the overall scientific quality of decision-making. For that, the directors should be recruited from relevant ministries and commissions. Furthermore, it would be essential to ensure that they are familiar with national policies, economy, and finance, possess an international perspective and have business experience (董事会成员应吸收相关部委人员, 董事应熟悉国家方针政策、经济金融、具有国际视野和企业管理经验, 以提升董事会整体专业水平和决策的科学性) (p.11).

To give a reference here: As of 2017, all CDB directors came from a commercial banking and investment background, and most had previously served in leadership positions in the so-called “big four” commercial banks (*si da yinhang* 四大银行) – Industrial and Commercial Bank of China (*Zhongguo gongshang yinhang* 中国工商银行, ICBC), China Construction Bank (*Zhongguo jianshe yinhang* 中国建设银行, CCB), Agricultural Bank of China (*Zhongguo nongye yinhang* 中国农业银行, ABC) and Bank of China (*Zhongguo yinhang* 中国银行, BoC). The only exception was the CDB Chairman, Hu Huaibang 胡怀邦, who had served for a brief period with China’s central bank, the People’s Bank of China (PBOC) (2000-2003), and who had headed the Shanghai-based commercial bank Bank of Communications (*Jiaotong yinhang* 交通银行) before taking over the helm of the CDB. Only one person on the entire board had international exposure: Vice Chairman Zhang Xuguang 张旭光, who obtained a Master of Laws (LLM) from the University of Minnesota. All of the leadership was male. (See Figure 20)

Figure 19 China Development Bank Board (2017)

Board Member	History of Service and International Exposure
Hu Huaibang 胡怀邦, Chairman	Bank of Communications, Chairman (2008-2013) Bank of China (2003-2007) PBOC (2000-2003) (joined CDB in 2013, removed due to corruption investigation in 2018)
Zheng Zhijie 郑之杰, Vice Chairman	China Construction Bank, Deputy Chairman (joined CDB in 2008; left in Oct. 2019)
Wang Yongsheng 王用生, Vice Chairman	China Construction Bank, China Investment Bank 中国投资银行 (dates of joining and leaving CDB not available)
Zhou Qingyu 周清玉, Vice Chairman	China Agricultural Bank (joined CDB in 2011)
Zhang Xuguang 张旭光, Vice Chairman	China Development Finance Corp. 国开金融有限责任公司, President International experience: LLM at Univ. of Minnesota (joined CDB in 2012, left in Dec. 2019 to become Vice Chairman of China Agricultural Bank)
Cao Dong 蔡东, Vice Chairman	Industrial and Commercial Bank of China (ICBC) (joined CDB in 2016, left in Oct. 2019 to become Vice Chairman of China Agricultural Bank, now Vice-Governor of Jilin)
Wang Yungui 王云桂, Secretary of Disciplinary Commission	ICBC (joined CDB date not available, left in Apr. 2019 to become Vice Chairman of China Merchants Bank)

The Exim Bank's leadership (Figure 21) was composed of executive directors who were also part of the bank's management board and of directors appointed or seconded by the bank's shareholder ministries and agencies. Among the three executive directors, Chairwoman Hu Xiaolian 胡晓炼 and Vice-Chairman Liu Lian'ge 刘连舸 came from the PBOC. Liu had been seconded by the PBOC to the Asian Development Bank (ABD) as the Deputy Executive Director for China from 1996-1999. In addition to his international secondment, he served as Deputy Director of the PBOC's International Department (2000-2004), which complemented his international exposure. Hence, in contrast to the CDB, the Exim Bank had a board member familiar with multilateral development finance and international development standards. The seconded directors included the shareholders National Development and Reform Commission (NDRC), the Ministry of Finance (MOF), the Ministry of Commerce (MOFCOM) and the State Administration of Foreign Exchange (*Guojia waihui guanli ju* 国家外汇管理局, SAFE). Of them, only Vice-Minister of Commerce Yu Jianhua 俞建华 had international exposure, as he was responsible for international trade negotiations and had been previously seconded to the World Trade Organization (WTO).

Figure 20 China Exim Bank Board and Top Executives (2017)

Board Member	History of Service and International Exposure
Hu Xiaolian 胡晓炼, Chairwoman, Executive Director	PBOC, Vice President, Director of SAFE (joined Exim Bank in 2015)
Liu Liange 刘连舸, Vice Chairman, Executive Director	PBOC Relevant international experience: PBOC, DDG International Dept. (2000-2004) London, Chief Rep of European Representative Office of PBOC (1999-2000) ADB, Deputy Executive Director for China (1996-1999) (joined Exim Bank in 2007)
Sun Ping 孙平, Executive Director	Exim Bank (joined Exim Bank in 1998)
Directors seconded by ministries or commissions	
Lian Weiliang 连维良	NDRC Deputy Director, Party Career in Henan (河南) as mayor of Luoyang (洛阳) and Party Secretary of Zhengzhou (郑州)
Shi Yaobin 史耀斌	MOF Vice Minister, background in taxes
Yu Jianhua 俞建华	MOFCOM Vice Minister, responsible for international trade negotiations, prev. seconded to WTO
Fang Shangpu 方上浦	SAFE Deputy Director
Top Executives	
Liu Liange 刘连舸, President	See above
Sun Ping 孙平, Vice President	See above
Zhang Songtao 张松涛, Secretary of Discipline Inspection Committee	China Export Credit Insurance Corp. (<i>Zhongguo chukou xinyong baoxian gongsi</i> 中国出口信用保险公司), Party Secretary and Deputy General Manager (2011-2012) CCP Central Financial and Economic Leading Group Office (<i>Zhonggang caijing lingdao xiaozu bangongshi caimaozu zhang</i> 中央财经领导小组办公室财贸组长) (1994-2012) (joined Exim Bank in 2012)
Yuan Xingyong 袁兴永, Vice President	Department of Economic and Technical Co-operation of the Three Gorges Office of the State Council (<i>Guowuyuan sanxian ban jingji jishu hezuo si</i> 国务院三峡办经济技术合作司), Director (joined Exim Bank in 2006)
Huang Lianbo 黄良波, Vice President	PBOC, (joined Exim Bank in 2010)
Xie Ping 谢平, Vice President	Bank of China (joined Exim Bank in 2015)
Li Jian 李健, Assistant President	International Trade Law Lawyer, prev. Beijing Tongshang Law Firm (<i>Beijing tongshang lüshishiwusuo</i> 北京通商律师事务所), studied in Arizona and Toronto

(2) Internal control (内控) mechanisms:

In order to mitigate and control risks at an early stage, the internal control and internal audit should be strengthened by establishing control systems with a meaningful division of labour, clear responsibilities and well-defined reporting relationships (分工合理、职责明确、报告关系清晰的内控制度) and an independent vertical internal audit system (独立垂直的内审体系).

(3) Accountability (责任追究):

In order to improve accountability, the report recommended establishing a personnel performance evaluation system that takes into account the extent to which projects serve the national strategy (服务国家战略), emphasise risk control (侧重风险控制), and manage to maintain small profit margins or break-even (保本微利).

(4) Overseas branches (海外机构):

The report furthermore recommended that policy banks consider establishing branches abroad (研究海外机构设置). This recommendation is obviously based on the example of the German KfW, which, as already mentioned, also has representative offices in almost all countries where it implements development finance programmes. The presence on the ground would make it easier to better align China's national BRI strategy and the actual needs of countries along the BRI (紧扣“一带一路”战略重点方向和国别, 充分结合区域现实需求), and allow for more effective management and control of risks (加强有效管理与风险防控).

By contrast, at the time of the research, the oversight of Chinese projects on the ground was undertaken by the Economic and Commercial Councillors (MOFCOM representatives) at the Chinese embassies and consulates – but, as already mentioned, not very comprehensively. Indeed, previous interview-based studies found that there was no regular oversight: rather, when it came to implementing development co-operation projects, Chinese companies only turned to the embassy when problems arose. (Corkin 2012, 74) while embassies do not have complete information on the extent of Chinese lending to their host country (Simumba 2018, 18).

(5) Separation of policy-based and commercial operations (划分政策性业务和商业性业务的边界)

According to the report, all Chinese policy banks appear to be engaged in commercial activities, though to varying degrees (政策性银行均不同程度开展商业性业务). In some cases, policy banks used preferential policies available to them as policy banks to carry out arbitrage¹⁶¹ (有时甚至利用政策性业务享受优惠政策等特点进行套利). In the eyes of the CBRC Research Group, this lack of separation between preferential lending and commercial activities created a conducive environment for corruption (滋生道德风险), hampered fair competition (不利于维护公平竞争的市场环境), and impeded the correct evaluation of operational performance (不利于正确评价政策性银行的经营成果). The report's recommendations emphasised the need to draw meaningful and clear boundaries between policy-based operations and commercial operations (合理、清晰地划分政策性业务和商业性业务的边界) and to define the possible scope of the commercial business (明确商业性业务范畴) for policy banks. This should include separate account management (分账管理). In the long term, however, a complete separation of political and commercial business into separate organisational units (专营事业部) should be considered. Here again, the authors implicitly refer to KfW.

(6) Comprehensive risk management (全面风险管理)

The report describes the credit risk management in Chinese policy banks as weak, which substantially exposed the banks to credit risks and resulted in a high level of non-performing loans (我国政策性银行面临着信用风险暴露、不良贷款上升压力加大、风险管理仍存在薄弱环节等问题). For the authors, this revealed the necessity to introduce the concept of comprehensive credit risk management (全面风险管理理念) and develop comprehensive risk management frameworks (全面风险管理架构) – with clearly defined responsibilities of all departments, coordinated horizontal and strong vertical risk management. Such a framework should be tailored to the requirements of policy-based finance and have strong mechanisms in place for the assessment, early warning, monitoring and management to control credit risks, market risks, operational risks, liquidity risks, and corruption-related risks.

¹⁶¹ The term “arbitrage” refers to taking advantage of a price difference between two or more markets: striking a combination of matching deals that capitalise upon the imbalance, the profit being the difference between the market prices at which the unit is traded.

(7) Appropriate assessment indicators and supervision methods (相应的考核指标和监管方法)

The CBRC Research Group noted that in assessing the performance and supervising the work of policy banks, the Chinese government has been referring to the regulatory standards for commercial banks (监管一直参照商业银行监管标准), which mainly measure the operational stability 经营稳健程度. How the policy banks implemented national policies was rarely evaluated (很少对政策实现情况进行监管). As the 2015 reform plan highlighted that policy banks should serve China's national strategies, an appropriate performance assessment and supervision system were needed. Such a system should include indicators related to the implementation of the national strategies, function orientation, maintaining the scope of business, capital adequacy, governance, internal control, operational safety, quality of service, and the ability to develop sustainably (从服务国家战略、定位明确、业务清晰、资本充足、治理规范、内控严密、运营安全、服务良好、具备可持续发展能力等方面对政策性银行进行监管).

(8) Legal mechanisms (法规建设)

On legal mechanisms, CBRC Research Group maintained that the gaps in the legal system were the reason why the policy bank have not played a better role in support of economic and social development:

One problem that has not been solved since the establishment of the political banks [1994] is the gaps in the regulatory and legal system and the insufficient legal basis for the operation and supervision of the institutions.

我国政策性银行成立以来，一直存在法律法规和制度体系不完善、机构运营和监管法律依据不足等问题。

The CBRC Research Group described the legal basis for the governance and supervision of policy banks as “incomplete” (不完善) and “insufficient” (不足) (p.14). The researchers argued that under the strategic plan of the CCPCC and the State Council to “govern the country in accordance with the law” (依法治国), it is also of utmost importance and urgency to set up laws and regulations for the policy banks. In the long run, the legislation of the policy banks should be carried out on the national level (应从国家层面进行政策性银行立法). The legislation should clearly define the legal status of the policy banks, their function orientation, governance structure, the scope of operations, management mode, establishment of

subsidiaries, sources and application of funds, and policy support (明确其法律地位、功能定位、治理结构、业务范围、管理模式、机构设置、资金来源和运用、政策支持等).

This can be interpreted to mean that policy banks should generally operate based on national law (法律) and not based on departmental regulations. The reason is that departmental regulations regulate only internal operations while a law would also regulate their relations with other government bodies with similar status, such as ministries. This argument is similar to the criticism of MOFCOM-led foreign aid management described in Chapter 3, namely that the only legal provisions in place were administrative measures internal to the ministry, while inter-ministerial issues had to be resolved on a case-by-case basis at the State Council level.

(9) Capital restraint mechanism 资本约束机制

In order to more effectively serve the national strategies such as BRI and “Going Global” (更为有效地服务 一带一路 企业 走出去 等国家战略), the policy banks should establish a capital restraint mechanism, to better resist risks and to “prevent them from blindly expanding the scale of assets” (防止其盲目扩大资产规模) (p. 15).

Particularly in the context of the BRI, the last part of this sentence can be read as a critique of lending without properly analysing the viability of projects and the overall debt sustainability of borrowing countries. The following sentence states that such a capital restraint mechanism will be conducive to “enhancing the international reputation and competitiveness” (提升国际声誉和竞争力), which – read in the context of the BRI and reference to “social development” in (8) – almost certainly refers to the international debates around “debt traps” and alleged neglect of environmental and social standards by Chinese companies going global.

The extensive recommendations worked out by the CBRC research team were largely translated into the drafts of the “Measures for the Supervision and Administration of China Development Bank” (国家开发银行监督管理办法) and the “Measures for the Supervision and Administration of the Export-Import Bank of China” (中国进出口银行监督管理办法), which the CBRC published in August and September 2017, respectively. A commentary on the draft by the think tank Beijing Shijing Weilai Consulting (世经未来) (English company name WeFore) provides the necessary context to the recommendation by intensifying three main risks for policy banks (Shijing weilai 世经未来 2017). Shijing Weilai was initially established in 2004 as the information department of the national economic newspaper China

Economic Herald under the powerful supra-ministry National Development and Reform Commission. In particular, Shijing Weilai highlighted that

Although the operating goal of the policy banks is to break even with a low profit, it is not the policy banks alone who make decisions. Chinese policy banks were likely to accept projects deemed politically beneficial; this was most obvious in overseas investment. Under the influence of factors such as the changing international political and economic situation, the banks' own limitations, and national strategic incentives, the policy banks have exposed themselves to massive capital losses in overseas investment risks (particularly in sovereign debt). Many sovereign countries that have received substantial loans and aid from China in the past few years faced severe economic and social crises. In South America, China has successfully provided nearly 60 billion US-Dollar to Venezuela in oil guaranteed loans. Petrobras received 10 billion US-Dollar in loans from China in 2009. When Premier Li Keqiang visited Brazil in 2015, China and Brazil also signed an investment agreement with a total value of 53 billion US-Dollar. In February 2016, Petrobras again received 10 billion US-Dollar in loans from China Development Bank. In 2015 alone, China's investment in Latin America doubled from the previous year, reaching 29 billion US-Dollar, and surpassing the total investments of the World Bank and the Inter-American Development Bank in Latin America. Given the current situation, there is a high risk that none of these loans will be repaid.

虽然政策性银行的经营目标是保本微利，但这并不能完全由银行自身决定。中国政策性银行更愿意接受被认为在政治上有利的项目，最明显的例子就是海外投资。受国际政经形势变化、银行业自身能力限制、国家战略规划刺激等因素的影响，政策性银行在“出海”时所面临的海外投资风险（特别是主权风险）以及投资损失规模，达到了惊人的程度。近年来，很多获得中国大量贷款和援助的主权国家，都面临着严重的经济与社会危机。在南美，中国以石油作担保贷款等形式陆续向委内瑞拉提供了近 600 亿美元的资金。巴西石油公司在 2009 年就获得中国 100 亿美元贷款，2015 年李克强总理访问巴西时，中国与巴西还签署了总值 530 亿美元的投资协议，2016 年 2 月则再次获得中国国家开发银行的 100 亿美元贷款。仅 2015 年一年，中国在拉美的投资就比上一年增加了一倍，达到 290 亿美元，并超过世界银行和美洲开发银行在拉美投资的总和。结合当前形势，上述信贷投放，都面临着可能无法收回的重大风险。

Shijing Weilai explains the risks with the “relatively short existence” (成立时间较短) and “lack of experience” (*quefan jingyan* 缺乏经验) of the policy banks. To pause for a moment: Here, an image of immaturity is projected onto the world's largest bilateral lender, one – as the translated passage above suggests – that has invested more in Latin America than the World Bank. However, this statement does invoke a modernist discourse, implying a certain “backwardness” (*luohou* 落后) in China and portraying Chinese policy banks as lacking something. Despite the apparent economic might, the analysis invokes the China/West binary, in which China corresponds with backwardness and the West (the World Bank and the Inter American Development Bank) with progressiveness, thus “building a hierarchy of modernity in which the West is either essentially or gradually more advanced than China” (Meinhof 2018).

Thus, despite the official statements on the distinctness and legitimacy of the “Chinese aid model” (*Zhongguo moshi* 中国模式) expressed in official communication and projections of power at BRI meetings under Xi Jinping, internally, the aid and development finance system is perceived as “lacking” (*quefan* 缺乏) – and in need of learning.

5.3.2 Risk Management Regulations of 2017

In November 2017, the CBRC finally issued the “Measures for the Supervision and Administration of the China Development Bank” (国家开发银行监督管理办法) (CBRC 2017c) and the “Measures for the Supervision and Administration of the Export-Import Bank of China” (中国进出口银行监督管理办法) (CBRC 2017d). (To a very large extent, these Measures realised the recommendations proposed by the CBRC research team.)

Political positioning

Article 1 defines that the purpose of the regulatory measures is “to strengthen the supervision and administration [of the CDB/Exim Bank], to push forward the implementation of national strategies and policies, to regulate business operations and to control financial risks effectively” (加强对[...]银行的监督管理, 督促落实国家战略和政策, 规范经营行为, 有效防控金融风险). As such, Article 1 reiterates that the *raison d’être* of the policy banks is to support national strategies – as opposed to focusing on commercial operations – which I interpret in the case of overseas development lending as being a reference to the following policies:

(i) China-Africa Co-operation as outlined in the White Paper on *China-Africa Economic and Trade Co-operation* (*Zhongguo yu Feizhou de jingmao hezuo* 中国与非洲的经贸合作) (SCIO 2013), which names “infrastructure construction as the fundamental starting point for improving the investment environment and people’s livelihoods, and of major importance for poverty reduction and development in Africa” (基础设施建设是改善非洲投资环境和民生条件的根本支撑, 对非洲减贫和发展至关重要);¹⁶²

¹⁶² The White Paper further states that “the Chinese government encourages Chinese enterprises and financial institutions. It lists framework agreements signed between Chinese policy banks and African stakeholders, namely an “Agreement on Development Financing Co-operation” (*Kaifaxing jinrong hezuo xieyi* 开发性金融合作协议) between the CDB and the Development Bank of Southern Africa, an agreement between the CDB and West African Development Bank to loan 60 million Euros for the development of small and medium-sized enterprises in countries belonging to the West African Economic and Monetary Union (WAEMU), and a co-operation

(ii) foreign aid, as outlined in the White Paper on *China's Foreign Aid* (*Zhongguo duiwai yuanzhu* 中国对外援助) (SCIO 2011a) (discussed in 3.4.3) namely, the provision of concessional loans through the Exim Bank;

(iii) BRI as outlined in the White Paper *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (*Tuiding gingjian Sichouzhilu jingjidai he 21 shiji haishang Sichouzhilu de yuanjing yu xingdong* 推动共建丝绸之路经济带和 21 世纪海上丝绸之路的愿景与行动) (NDRC, MFA, and MOFCOM 2015), namely by supporting the co-operation priorities infrastructure connectivity (基础设施互联互通) and transport infrastructure (交通基础设施); and

(iv) China's overall foreign policy as outlined in the White Paper *China and the World in the New Era* (*Xin shidai de Zhongguo yu shijie* 新时代的中国与世界) (SCIO 2019b), namely by "helping more emerging market and developing economies to better integrate into the global industrial, supply and value chains" (帮助更多新兴市场国家和发展中国家更好融入全球产业链、供应链、价值链), "helping developing countries – especially the least developed – to improve their capacity for self-development by providing foreign aid and debt relief" (努力帮助发展中国家特别是最不发达国家增强自身发展能力), "strengthening co-operation with developing countries" (加强与发展中国家团结合作), "fostering new drivers for South-South Co-operation" (为南南合作注入新动力) and actively contributing to the SDG Agenda 2030.

Function orientation

The function orientation of the policy banks is defined in Art. 3 and confirms the decision made by the State Council in 2015: the CDB shall operate as a *kaifaxing jinrong jigou* 开发性金融机构, a "development finance institution", the Exim Bank as a *zhengcexing jinrong jigou* 政策性金融机构, a "policy-based finance institution". Hereby, both are understood as development finance institutions that should support public policy objectives. However, the designation as a "policy-based" finance institution means that the Exim Bank is not supposed to generate any profit. In contrast, the "development" finance institution CDB may carry out

framework agreement between CHEXIM and the African Development Bank (AfDB) to cooperate on infrastructure project financing and the development of small and medium-sized enterprises.

commercial finance activities in addition to policy-based finance, with a clear focus on the latter (Yu Xuefei 余雪菲 2015). The CDB-Measures clarify this in Art. 5: the CDB shall operate “based on market principles with the backing of sovereign credit” (依托信用支持、市场运作) and “ensure modest profitability” (保本微利). To support national strategies, the CDB shall focus on “medium- and long-term investment and financing” (中长期投融资) in “priority economic and social fields and weak links” (经济社会重点领域和薄弱环节) in order to promote “sustained and sound economic and social development” (经济社会持续健康发展). For the CDB, this means that, as before, it can get involved in any project as long as it is development-oriented (只要是开发性项目都可介入) – as assessed by Guo Tianyong 郭田勇, Director of the China Banking Research Center at the Central University of Finance and Economics (*Zhongguo caijing daxue Zhongguo yinhangye yanjiu zhongxin* 中央财经大学中国银行业研究中心) (in Yu Xuefei 余雪菲 2015). The scope of action for the Exim Bank (also Art. 5), on the other hand, is much more limited: it shall “closely align with” (紧紧围绕) national strategies in specific areas, i.e. “mainly support the development of foreign trade, international co-operation and ‘Going Global’” (重点支持外经贸发展、对外开放、国际合作、“走出去”等领域) – in contrast to the broader space for the CDB, which has to “serve” (服务) national strategies in general by “making full use of development-oriented financial functions” (充分运用服务国家战略...的开发性金融功能). Hereby, the Measures admonish both banks in Article 6 to “stick” (应当坚守) to their respective functions, while specifically reminding the CDB “to engage in commercial business only as a supplement to development-oriented operations” (以开发性业务为主, 辅以商业性业务). In fact, the CDB has repeatedly competed with Chinese commercial banks for business, particularly in Africa,¹⁶³ which has led to repeated complaints by commercial banks about unfair competition.¹⁶⁴ Art. 7 for CDB, Art. 8 for Exim Bank further clarifies the relation between policy banks and commercial banks. Both banks are urged to “establish complementary and cooperative relations with commercial finance institutions” (与商业性金融机构建立互补合作关系), to practice

¹⁶³ Expert-Interview with Matthew Mingey, Rhodium Group. 20.11.2019.

¹⁶⁴ Already in 1998, the Bank of China had submitted a formal complaint to the relevant organs that the CDB was using its access to preferential policies and low-cost capital to compete with commercial banks (Xinhua 新华 2005).

“inclusive finance” (普惠金融) and to “provide financial services for micro and small enterprises” (开展小微企业金融服务) by means of “co-operation with other banking and financial institutions” (与其他银行业金融机构合作). Given that the Measures do not differentiate between domestic and overseas development finance, this raises the question of how this will play out in the global South. So far, similar policies have benefitted primarily Chinese enterprises: In 2017, the CDB signed loan agreements with the two major Egyptian banks, SAIBANK and Banque Misr, under which it lent SAIBANK 40 million in US-Dollar and the same amount as a special RMB denominated loan (260 million RBM) for infrastructure construction and small and medium-sized enterprises (the loan amount for Banque Misr has not been disclosed) (Xinhua 2017c). Such loans are supposed to encourage investment of small and medium-sized Chinese companies by allowing them to enter Egypt in their own currency (Ibid.).

Risk management

Risk management (风险管理), next to the specification of the function orientation of the banks, constitutes the centrepiece and main focus of the Measures.¹⁶⁵ The Measures order the policy banks to “construct a comprehensive risk management system” (构建[...]全面风险管理体系),¹⁶⁶ tailored to their respective business models (development-oriented finance for the CDB (Art. 18) and policy-oriented finance for the Exim Bank (Art. 23)). Hereby, they should “ensure [that] all types of business risks are effectively identified, measured, monitored and controlled” (确保各类业务风险得到有效的识别、计量、监测、控制). This wording, namely the detailed provisions of what needed to be established, suggests that no comprehensive risk management system existed until then. For that, the banks shall:

- explicitly define risk management related responsibilities (明确[...]在风险管理中的职责) at different organisational levels, starting with the board of directors and the senior

¹⁶⁵ As outlined in the previous section 5.2.2, risk management was also the aspect upon which Chinese state media focused when reporting on the measures in Chinese and English. See for example *Xinhua*, “Kaifaxing zhengcexing yinhang dingwei mingque. Jiang jianli chuzhi duli fengxian guanli jiagou” 开发性政策性银行定位明确 将建垂直独立风险管理架构 (Function orientation of development and policy-oriented banks clarified. A vertically independent risk management framework will be established) (Xinhua 新华 2017d) and *China Daily* “CBRC tells policy banks to beef up risk management” (Jiang 2017).

¹⁶⁶ *Tixi* 体系 (Art. 21) and *zhidu* 制度 (Art. 22) are often both translated as “system”, but they refer to different types of systemic structures. 体系 typically refers to an organisational structure, while 制度 rather refers to a set of rules to be followed.

management, and following with business departments, risk management department and internal audit (CDB Art. 19/Exim Bank Art. 24);

- establish a dedicated (专门部门) and independent risk management department (独立于业务经营条线) (CDB Art. 20/Exim Bank Art. 24) and define feasible and effective risk management policies and workflows;
- (in the case of the CDB specifically) “study” (研究) the different risk types associated with development financing and commercial financing and subsequently “develop appropriate risk management models, and specify management methods and management responsibilities” (制定相应的风险管理模式, 明确管理方法和管理责任) (CDB Art. 20);
- establish an organizational structure for a comprehensive risk reporting (风险报告) system; specify types, content and frequency of reports, and define a line of reporting, which ensures that the respective leadership and branches, as well as the CBRC, are timely informed about relevant risks (CDB Art. 21/Exim Bank Art 24 (3), Art. 27);
- establish a risk assessment system (风险评估制度):¹⁶⁷ Here, the CDB and the Exim Bank Measures differ. The CDB-Measures stipulate for the CDB to implement specific and comprehensive assessments of “credit risks, market risks, liquidity risks, operational risks, country risks, interest rate risks in the banking book (IRRBB), reputational risks, strategic risks, IT-related risks, environmental and social risks and other [relevant] risks” (信用风险、市场风险、流动性风险、操作风险、国别风险、银行账户利率风险、声誉风险、战略风险、信息科技风险、环境与社会风险以及其他风险) (CDB Art. 22). The Exim Bank Measures do not list the risks in a similarly specific way but refer more abstractly to “various important risks” (各类重要风险) (Exim Bank Art. 24 (3))
- establish a sound risk management and control mechanism (风险管控机制) to identify, measure and control risks. Hereby, the banks shall:
 - establish an internal credit rating system (评级体系) covering the countries, industries and clients, and utilize the rating results in the formulation of risk management and risk monitoring policies, selection of clients, approval of projects and credits etc. (CDB Art. 23(1)/ Exim Bank Art. 28 (2));

¹⁶⁷ Like *tixi* 体系 in Art. 21, *zhidu* 制度 is typically translated as “system” but has a different meaning, namely that of formulated rules and regulations 制定法规 that regulate and restrict people’s behaviour.

- establish a unified set of rules for credit granting (统一授信制度), which will cover all kinds of related business operations, and an integrated credit system (统一管理) with a specialized department for credit assessment and granting (CDB Art. 23(2)/Exim Bank Art. 28 (1));

The CDB shall furthermore

- establish an organizational structure for credit review management (评审管理体系), improve the credit approval mechanism (全信贷审批机制), strictly control the projects' access to credits (严格项目授信准入), and improve the general independence and professionalism in credit decision making (提高决策的独立性和专业性水平) (CDB Art. 23(3))
 - manage the loan process according to the provisions of prudential operations (按照审慎经营规定开展贷款全流程管理工作), disburse loans according to the actual project progress and demand (根据项目进度和实际需求发放与支付贷款), and strengthen risk management and control through measures such as credit account reports (信贷专户报告) and on-site inspections (现场核查) (CDB Art. 23(4))
- establish a country risk management (国别风险管理) system with country-specific strategies, policies and workflows, which can ensure that adequate resources are available to effectively identify, monitor and control country risks, and reflect the exposure scale and complexity of country risk (Art.25/Art.29). They should do so as they
- improve existing country-specific risk assessment and internal rating¹⁶⁸ procedures (完善国别风险评估和内部评级程序), and carry out risk assessment and rating for every country and region where the banks have been operating in the past or plan to operate in the future (对已经开展和计划开展业务的国家和地区逐一进行风险评估和评级);
 - fully identify country-specific risks for business operations (充分识别业务经营中面临的国别风险) and define risk mitigation measures to be taken under different circumstances (明确在不同情况下应采取的风险缓释措施);

¹⁶⁸ The internal ranking-based approach allows banks to utilize their own historical data to calculate the riskiness of their loans.

- and bank specifically, the CDB, implement due diligence investigation of overseas borrowers (对境外借款人进行充分的尽职调查) and shall prudently assess the legitimacy and the legal enforceability of overseas collaterals¹⁶⁹ (审慎评估海外抵押品的合法性及其可被强制执行的法律效力);
- and bank specifically, the Exim Bank place a stronger focus on post-loan management of overseas loans (境外贷款贷后管理) by keeping up with the political, economic, policy, legal and market changes in project countries and formulating risk prevention plans (及时了解项目所在地政治、经济、政策、法律法规、市场变化等情况, 制定风险防范预案).
- pro-actively and effectively avoid reputational risks (声誉风险) and develop sound risk monitoring mechanisms, contingency plans and handling measures (制定完善声誉风险监测机制、应急预案和处置措施) (Art. 29/Art.35). In the CDB-Measures, the reputational risks are explicitly linked to environmental and social risks (环境与社会风险), urging the bank to strengthen its environmental and social risk assessment (加强环境与社会风险评估).
- establish a concept for green finance (*lǜsè jīnróng* 绿色金融), strictly comply with the laws and regulations on environmental protection, industry and related areas (严格遵守环保、产业等领域的法律法规), draw lessons from the Equator Principles¹⁷⁰ and other international good practices, comprehensively assess the environmental and social risks of projects (充分评估项目的环境和社会风险), and use the assessment results as an

¹⁶⁹ In lending agreements, the term collateral refers to an asset that a borrower pledges to a lender to secure against the borrower's default. It can be used to offset the loan if the borrower fails to repay under the terms of the lending agreement (see, e.g., European Central Bank 2016). Collaterals are at the core of China's resources for infrastructure approach. For a long time, the CDB was proud of its infrastructure-for-oil approach for achieving multiple objectives at the same time – facilitating the exportation of Chinese firms, securing energy and resource for the state, and bringing to the developing world infrastructure works. However, after Venezuela's oil sector collapsed and the country could not repay its debt, the CDB was widely criticised in China for its failed investment. In the past, the collaterals were not restricted to oil but included various commodities such as chromium (Zimbabwe), copper (D.R. Congo), cobalt (D.R. Congo), iron ore (Gabon), Bauxite (Guinea), and even cocoa (Ghana) and peanut oil (Senegal) (Chen 2018b, 21).

¹⁷⁰ The Equator Principles (EP) are a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. It is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. As of 2018, only three Chinese banks have formally adopted the EP - the Bank of Huzhou, the Bank of Jiangsu and the Industrial Bank co. Ltd (Equator Principles 2019).

important basis for credit decisions (将评估结果作为授信决策的重要依据) (CDB Art. 30/Exim Bank Art. 28 (1)).

As evident from the above-detailed reflection of the Measures, they addressed a number of issues raised in the wider debate on debt sustainability. They defined that the CDB and the Exim Bank should prioritise economic and social fields and structurally weak areas to promote sustained and sound economic and social development. They also prescribed, that banks should primarily focus on development-oriented (instead of commercial) operations and practice inclusive finance. They contained wide-ranging provisions on risk management, which ranged from the order to establish independent risk management departments (implying there were none previously), and risk assessment systems. Here two points particularly stand out: the order to establish country risk management systems, with detailed provisions on the assessment of debt sustainability and reputational risks – the latter linked to environmental and social risks. This was likely linked to the fact that Chinese-funded projects, particularly in infrastructure development and hydropower development, in the past repeatedly clashed with local residents and non-governmental organisations over issues of environmental damage and inadequate compensation for residents who had to move to, e.g., make space for a road.

Even though they were clearly responding to international criticism, why were the Measures not openly and visibly promoted? Why did the Chinese government instead present the “Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative” (BRI-DSF) (Xi Jinping 2019), a nonmandatory tool for countries to assess the risks of over-indebtedness at the second BRI Forum in April 2019 as China’s response to concerns about debt sustainability of countries borrowing under the BRI? Based on the above Shijing Weilai’s statement that policy banks “lacked experience” (缺乏经验) (Shijing weilai 世经未来 2017) and previous observations of handling of reform in the aid sector, is that this reform, too, was considered to be an experiment. The measures have been enacted, but there is no guarantee that they will be implemented accordingly and lead to achieving the set goals. This would explain why they were not made public.

5.4 The BRI Debt Sustainability Framework – A Trace of the Shifting Institutional Role of the Ministry of Finance

The above observations leave us with the question: why was Xi Jinping's BRI Debt Sustainability Framework issued at all if it was not mandatory? I could not find any related statement. One plausible reason is relationality, namely that given the upcoming Belt and Road Forum, the Chinese government wanted to provide a response to international concerns. Another possible reason is that the MOF wanted to set a precedent by establishing a framework that was based on international standards.

Debt Sustainability Frameworks (DSFs) are often regarded as technical guidelines that define criteria to guide borrowing decisions of low-income countries and avoid building up excessive public debt levels (World Bank 2019). However, as Johanna Malm (2016) notes in her dissertation on the conflict between Chinese development finance and the IMF's sovereign debt norm in the DRC, DSFs are inherently political: the IMF's sovereign debt norm postulates that low-income countries should borrow primarily through low-interest concessional loans in order not to overburden their government budgets, which usually have weak revenues. Malm outlines that the Chinese public debt norm, on the other hand, maintains that low-income countries can also take up market-rate loans if the repayment is secured by expectedly profitable projects (Built-Operate-Transfer Hydropower Plants) or natural resources (*ibid.*, 1). The different public debt norms have been at the core of the IMF's, World Bank's, and DAC donors' critique of Chinese official lending to low-income countries, more intensively of loans under the framework of BRI.

The IMF and World Bank have employed DSF and country-level Debt Sustainability Analyses (DSA) since 2005 as standardised tools to measure and assess the debt sustainability of their borrowing countries (IMF 2018).¹⁷¹ DSA are mandated whenever there is a request for World Bank or IMF financing (*ibid.*, 10). The BRI-DSF was the first time China's approach to debt sustainability was spelt out – in English, and thus for an international audience (Malm 2019). It is openly accessible and can be downloaded via the Chinese Ministry of Finance website, which has issued it in English (MOF 2019a) and a Chinese version (MOF 2019b). The framework has been developed on the basis of the IMF/World Bank DSF and has been

¹⁷¹ The DSF tool was developed jointly by the World Bank and the IMF and is subject to a comprehensive review every five years. The last review took place in 2018.

subsequently subject to analysis by a number of scholars for the similarities and the differences with the IMF/World Bank Model (Ma 2019; Malm 2019; Morris and Plant 2019).

The BRI-DSF, as mentioned earlier, was issued by the MOF. Although the MOF is the largest shareholder of the CDB and Exim Bank, respectively, holding 71.22 per cent of the CDB and 50.18 per cent of Exim (Ma Yuanyue 马元月 and Yue Pinyu 岳品瑜 2015), its actual power as a shareholder is limited (股东权利并不完整), as CASS economists Yu Huanjun 于换军¹⁷² and Yao Yun 姚云¹⁷³ (2017) write. Specifically, “the MOF’s shareholder rights do not include the important power over personnel” (财政部的股东权利并不包括重要人事权”) (ibid.), which in turn means that the MOF has no legal basis to direct how the development banks conduct their business operations. Legally, both CDB and CHEXIM are independent legal entities “under the direct leadership of the State Council” (直属中国国务院领导).

Within the institutional landscape of Chinese development co-operation, the MOF’s assigned role is “to conduct multilateral and bilateral financial and economic dialogues with relevant countries and regions, and to carry out international co-operation and exchange in the field of finance and economics” (与有关国家和地区多双边财经对话，开展财经领域的国际交流与合作); and “to represent the Chinese government in international financial and economic organisations” (代表我国政府参加有关国际财经组织) (MOF n.d.). Traditionally, the MOF has been responsible for managing loans (and financial grants) from multilateral development banks and bilateral development banks to China, which explains the assigned role.¹⁷⁴ As China transitioned from being a net recipient to a net provider¹⁷⁵ of official development finance - and the development banks CDB and Exim Bank became major global players – the MOF remained the responsible government agency representing China in multilateral development finance at the international level, even though it has little say in China’s bilateral lending.

¹⁷² Yu Huanjun 于换军 is based at CASS IWEP.

¹⁷³ Yao Yun 姚云 is based at the CASS Institute of Finance and Banking (IFB) 金融研究所

¹⁷⁴ The MOF has been in charge of managing loans and financial grants since 1998. 1993-1998 loans were managed by the Loan Division at MOFTEC, and pre-1993 by its predecessor Ministry of Foreign Trade and Economics (Zhou, Zhang, and Zhang 2014, 274).

¹⁷⁵ A similar situation can be observed with MOFCOM’s DITEA, as outlined in chapter 4.3.3. The DITEA was traditionally the designated focal point for technical co-operation with bilateral donor agencies and the UN System. However, when most DAC-donors started to phase out their bilateral technical co-operation with China and (in some cases) explore trilateral co-operation, DITEA remained the focal point, although it had no relation to China’s bilateral foreign aid (which was administered by MOFCOM’s DFA).

It is apparent that the MOF and the CDB represent different organisational cultures. For instance, Zou Jiayi 邹加怡, the MOF Vice-Minister currently in charge of China's international financial co-operation and workflows related to China's participation in the G20, has been involved with the World Bank in various functions since 1994: first as the Deputy Director of MOF's World Bank Division (世界银行司) (1994-1996), then as Consultant the Office of the Executive Director for China (1996-1998), as the Deputy Executive Director for China (1998-2000), and finally as the Executive Director for China at the World Bank Group from 2000-2009. Two of MOF's other Vice-Ministers have international exposure: Liao Min 廖岷, who is in charge of the economic dialogue with the U.S. and the high-level financial dialogue with Germany, was educated in the U.K. and has a Master of Business Administration (MBA) from Cambridge University Judge Business School. Wang Ercheng 王尔乘 holds an MBA for the China-Europe International Business School (CEIBS), which was established under an agreement between China and the European Commission to train Chinese and European experts in joint classes.¹⁷⁶

There is no one with international experience in the CDB management team. The Chairman Zhou Huan 赵欢 was previously with the commercial banks ABC and the CCB, and Vice-Chairman Ouyuan Weimin 欧阳卫民 was previously with the PBOC and SAFE. Of other management team members, Zhou Qingyu 周清玉, like Zhou Han, was in the past with the ABC, Song Xianping 宋先平 with the ABC and the ADBC, Ma Xin 马欣 made a career in the CDB, and the recently appointed director of risk management Song Xianping 宋先平 (a post established after CBRC's Measures for the Supervision and Administration were passed) previously served with the CBRC. In line with national priorities, CDB's top executives primarily have a background in agricultural banking – while heading the world's largest bilateral development lender, which internationally mostly finances infrastructure development.¹⁷⁷ The Exim Bank is, since 2015, led by Chairwoman Hu Xiaolian 胡晓炼, who

¹⁷⁶ Personal information on the MOF's leadership is available on MOF's website at the URL <http://www.mof.gov.cn/znjg/buzhangzhichuang/>.

¹⁷⁷ Personal information on the CDB's leadership is available on CDB's website at the URL <http://www.cdb.com.cn/gykh/ldbz/> in Chinese and at the URL http://www.cdb.com.cn/English/gykh_512/ldbz/ in English.

previously served as Deputy Governor of PBOC, and Vice-Chair Sun Ping 孙平, who made a career in the Exim Bank.¹⁷⁸ Both have never been posted abroad for a longer term.

As Alastair Ian Johnston notes in *Social States* (2008, xiii), an “actor’s behaviour that prior to social interaction tended to diverge may converge as a result of this social interaction”. By convergence, Johnston does not mean “co-operation” but “increasing similarity”. Harold Jacobson and Michael Ochsensberg’s (1990) pioneering work on China’s early participation in the IMF and World Bank shows how the interaction between Chinese stakeholders and IMF staff led to learning and internalising of the IMF’s and World Bank’s institutional norms by China. Margaret Pearson (1999, 224) observed that those in China’s policy process who interacted most with IMF and World Bank officials were the most committed to transparency in policymaking. The “socialisation” was, however, as Gregory Chin (2012, 211) highlights, at least since the early 2000s, a “two-way” one: “China is no longer only learning the established process and rules of the global institutions and adapting itself to them, but also actively working to move the Bank beyond some of its established endogenous norms and practices.”¹⁷⁹ As such, international development finance has to be understood as a *social field*.¹⁸⁰ It is characterised by its own expert knowledge, its own language and its own discourse; for it to (continue to) exist, it needs to be reproduced by political agents (Dezalay and Garth 2002, 307). It is characterised by its own expert knowledge, its own language and its own discourse; for it to (continue to) exist, it needs to be reproduced by political agents (Dezalay and Garth 2002, 307). Thus, it is the “individuals who actually make policy”, reminds Merle Kuus (Kuus 2014, 39) in her study of the *transnational* field of European Union’s diplomacy; their “[d]aily cultural practices are not an icing on the cake but a constituent component of power relations, in diplomacy as much as elsewhere” (Kuus 2015b, 369).

¹⁷⁸ Personal information on Exim Bank’s leadership is available on the Exim Bank’s website at the URL <http://english.eximbank.gov.cn/Profile/Organization/BoardOD/#heightXwyL> in Chinese and at the URL <http://www.eximbank.gov.cn/aboutExim/organization/board/#heightXwyL> in English.

¹⁷⁹ Chin illustrates the shift based on the case of a “Memorandum of Understanding (MOU) on Co-operation between the Export-Import Bank of China and the International Bank for Reconstruction and Development” signed in April 2007. The MOU opposed the World Bank’s established rule of always being in the lead with bilateral donors lining up behind the Bank and introduced a new procedure for co-donorship. It was seen as representative of China’s ability to leverage its growing development finance, particularly in Africa. Although it was not spelt out explicitly, the new procedure was drafted with Africa in mind (Chin 2012).

¹⁸⁰ In using the term *social field*, I draw in particular on Merle Kuus’ (2015a, 2015b, 2014) application of Pierre Bourdieu’s *field theory* to the study of transnational bureaucracies, specifically the European Union. For a most recent overview on the application of Bourdieu’s scholarship in international relations see for example Antonin Cohen (2018) and Silviya Lechner and Mervyn Frost (2018), for organisational research Tim Hallett and Matthew Gougherty (2018).

The MOF's officials, like Vice-Minister Zou Jiayi, can be assumed to be part of the *social field* of international development finance. My personal, albeit only selective, interactions with MOF officials while working at GIZ in Beijing would confirm this assumption. Those with whom I interacted conferred that they believed it would be best if China adapted international (meaning IMF and World Bank) standards in its overseas development lending. Furthermore, it was conferred to me that the international standards are also why China still borrows from multilateral banks, such as the ADB, or why China is the largest borrower of the BRICS NDB (which has largely adapted World Bank standards): Even if only one million of a ten million project is financed with an ADB or NDB loan, the whole project has to be managed according to international standards. I was told by a former government official, who had been seconded to the IMF, that China applied to the NDB to fund renewable energy projects not because it could not fund them by itself, but because this was a guarantee that they would be implemented according to international – and not according to Chinese standards. Thus, this was a tool for progressive Chinese officials to push through with reforms against more reluctant parts of the bureaucracy.

In an interview on the significance of the BRI-DSF, published on the website of MOF's Department of International Economic Co-operation (DIEC) 国际经济合作司, Zou Jiayi expressed that the MOF was aware of the widespread debt sustainability concerns in the international community, and China has always paid great attention to this issue. According to her, the release of the BRI-DSF demonstrated “the Chinese side's positive and constructive attitude on the issue of debt sustainability” (中方在债务可持续性问题上的积极、建设性的态度) (MOF-DIEC 2019). She explained that in the drafting process, “we communicated extensively with the IMF. [We] used its Debt Sustainability Framework for Low-Income Countries as a reference and a base, and explained and reinterpreted the issue of debt sustainability from a new angle” (我们与 IMF 进行了充分沟通, 在吸收借鉴其低收入国家债务可持续性分析框架的基础上, 以新的视角对债务可持续性问题进行了再解读和阐释). She highlighted that the Chinese modifications have received the IMF's comprehension and approval. In other words, the BRI-DSF represented the Chinese perspective on debt sustainability, which – she said – considered “the actual needs of infrastructure and connectivity” (基础设施互联互通的实际情况) and “the actual realities and development needs of low-income BRI-countries” (低收入国家实际国情和发展需求的重视). Furthermore, she argued that in contrast to the IMF/World Bank analysis framework, which

only highlighted the risks, the BRI-DSF emphasised the need to view debt sustainability in light of development perspectives and to sufficiently consider the positive effects of investment on medium- and long-term economic growth as well as the effect of economic development on debt reduction. Finally, she expressed that the tool will help both creditors and debtors better control investment risks. Noteworthy is that Zou Jiayi's interview does not once mention the Chinese policy banks directly. This could be explained by the fact that with respect to them, the MOF was not a *youguan danwei* 有关单位, the "responsible unit"; Peking University professor Zha Daojiong explained to me in an interview that "if you are not a *youguan danwei*, you cannot comment; you can only say something if you are involved (Interview on 22 April 2016 in Beijing).

Despite the nonmandatory nature of the BRI-DSF, the Chinese media, e.g. the economic platform *Di yi caijing* 第一财经 (*Yicai*), wrote that "the DSF was a response to the concerns about BRI-related debt issues" (分析框架回应了“一带一路”相关债务问题的关切) (Guo Liqin 郭丽琴 2019). A similar statement has been made by the South China Morning Post: "By publishing the framework, Beijing was trying to address claims that some countries involved in the scheme had been drawn into debt traps and that China was using that financial dependency to take possession of their assets and enhance its influence overseas" (Tang 2019). Therefore, Zou's statement that the Chinese side wanted to show a positive and constructive attitude on the issue of debt sustainability can be read in the sense that, with the BRI-DSF, the MOF indeed wanted to set a positive sign. Apparently, it was a projection of how the MOF thought Chinese bilateral development finance *should* operate – likely connected to hopes that international attention would generate impulses (or pressure) to improve the sustainability of BRI project loans and reduce the risk of "creditor traps". However, whether Chinese policy lenders or recipients will use the BRI-DSF remains to be seen.

Concluding Thoughts: Re-assembling Chinese Aid

There is a reason why it is important to look at China's past when analysing China's present. A reason that may not exist in the same fashion for the analysis of European and American political processes. It is that in the Chinese language, the past is never gone: the Chinese language doesn't distinguish between past and present tense: "I am" and "I was" is the same "*wo shi* 我是". For this realisation, the importance of something that is but a banal fact, I am grateful to Frances Weightman, China scholar at the University of Leeds, whose talk at the International Children's book fair in Bologna I had the chance to attend in May 2018. Speaking about the difficulty of translating from Asian languages, Weightman shared the story of a Chinese friend living in England for many years who realised how much of a difference it makes if a language doesn't have the past tense after her father died. "Suddenly, I had to change to past tense in English, which I didn't have to do in Chinese. My father is, my father was – in Chinese, it was the same *wo baba shi* 我爸爸是..." When speaking in Chinese, she felt so much closer to him.

One of the reasons why statements by Chinese governments invoking a shared past with other developing countries fighting "against imperialism and colonialism" (反帝反殖) should not be so easily dismissed as "just propaganda" is this idiosyncratic temporality. Though the statements are surely made with a specific purpose, their constant repetition implies that they are ingrained into collective political consciousness as something that (still) "is". Therefore, the significance of *historical memory* (Assmann 1999, 2011) in Chinese politics must not be underestimated. When Xi Jinping had just been pronounced the General Secretary of the CCP at the 18th Party Congress in 2012, he announced two centenary goals (*liangge yibainian* 两个一百年). They referred to the two important upcoming centenaries: 1. the centenary of the founding of the CCP in 2021, at which point China should, according to Xi, achieve becoming a "moderately well-off society" (*xiaokang shehui* 小康社会); and 2. the centenary of the founding of the PRC in 2049, at which point China should have achieved what he calls the "China Dream" (*Zhongguo meng* 中国梦) of national "rejuvenation" (*fluxing* 复兴), namely becoming a "rich and strong socialist country" (*fuqiang de shehuizhuyi guojia* 富强的社会主义国家). The backdrop to the "China Dream" is evidently another set of 100 years: the century of national humiliation (*bainian chiru* 百年耻辱), defined as the period between the eve of the first Opium War in 1849 and the proclamation of the PRC in 1949, which, in the national

narrative of the People's Republic of China, ended the one hundred years of imperial and colonial oppression. In the second White Paper on *China's Foreign Aid*, which was published after Xi came to power in 2014, the "China Dream" is extended to become a global or a "World Dream" (*shijie meng* 世界梦) (SCIO 2014b):

China will continue to increase the input in foreign aid, further optimize aid structures, emphasise key points, innovate aid modes, raise the efficiency of funds utilization, effectively help recipient countries improve their people's well-being and enhance their capabilities for independent development. China is willing to work with the international community to share opportunities, meet challenges, and to strive to realize the global/world dream of lasting peace and common prosperity, and make greater contribution to the development of mankind.

今后，中国将继续增加对外援助投入，进一步优化援助结构，突出重点领域，创新援助方式，提高资金使用效率，有效帮助受援国改善民生，增强自主发展能力。中国愿与国际社会一道，共享机遇，共迎挑战，推动实现持久和平、共同繁荣的世界梦，为人类发展事业作出更大贡献。

If the "China Dream" means to finally leave behind the semi-colonial legacy and national humiliation, and return to become the centre 中, what then is perceived as the "World Dream"? At least for "Southern" countries, it appears to be a non-specified endpoint in the process of "development" (*fazhan* 发展) at which end they will all be "equal". During the SDG Summit of 2015, China organised a South-South Co-operation Roundtable, jointly presided by Xi and UN Secretary-General Ban Ki-moon (Xi Jinping 习近平 2015b). At the roundtable, Xi delivered a very insightful speech, which – like other examples presented in this thesis that had not been officially translated into English – went completely unnoticed. Speaking to present Southern countries, Xi said that "development remains a main theme of our times" (发展这一时代主题没有改变). He elaborated:

South-South Co-operation started in the days when we fought together against imperialism and colonialism and flourished in the era of economic globalization. It is a great endeavour of developing countries of **joint self-strengthening** and opens a new path toward common development and prosperity.

南南合作始于反帝反殖斗争的峥嵘岁月。兴于经济全球化的时代大潮，是发展中国家联合自强的伟大创举，帮助我们开辟出一条崭新的发展繁荣之路。

Here we find a new focus when Xi speaks of *lianhe ziqiang* 联合自强, "joint self-strengthening". One of the first basic principles of China's foreign aid introduced in this thesis (see section 1.2) is *zili gengsheng* 自力更生, "self-reliance", which later evolved into *zizhu fazhan* 自主发展, which translates as "self-directed development", but whose origins go much further back, to the "Self-strengthening Movement", *Ziqiang yundong* 自强运动 (1861-1895).

The latter's core idea was *Zhongxue wei ti, Xixue wei yong* 中学为体，西学为用 – to take “Chinese learning as substance, Western learning for application”, meaning an emphasis on Chinese values while at the same time pursuing modernisation with foreign technical skills and scientific knowledge (Zhao 2000; Karl 2002) – in order to overcome the experience of (semi-) colonialism and to return to the central position 中 in the world, that China had lost during the Opium Wars. Is then the purpose of “South-South Co-operation” – and thus the proclaimed “World's Dream” to *lianhe ziqiang* 联合自强, to jointly overcome the shared experience of imperial and colonial domination? If so, how is this supposed to happen?

In that same speech, Xi reiterated (and implicitly thus hints at what distinguishes South-South Co-operation from North-South relations) that “we stand for non-interference in each other's internal affairs and respect each other's independent choice of development paths and social systems” (相互不干涉内政，尊重各国自主选择发展道路和社会制度). However, only a few passages later, he presented a clear-cut vision of how the *lianhe ziqiang* 联合自强, the “joint self-strengthening” was to happen:

South-South Co-operation in the new era should aim to facilitate the alignment of the development strategies of various countries. [...] We must bring into play our comparative advantages, strengthen macro-economic coordination and form strong synergies for development. We need to identify priority areas and directions for co-operation and promote all-round development in economic, financial, investment, infrastructure development and environmental co-operation to help improve the overall competitiveness of developing countries. [...] South-South Co-operation must be result-oriented rather than being empty talk. In the priority areas of connectivity and production capacity, we need to pull resources into undertaking a number of flagship and landmark projects with strategic impact and exemplary effect. We need to build our own financing platforms and make full use of new mechanisms, including the Asian Infrastructure Investment Bank and the New Development Bank of BRICS countries, to provide stronger impetus for South-South Co-operation.

新时期的南南合作应该致力于促进各国发展战略的对接。[...] 我们要发挥各自比较优势，加强宏观经济政策协调，形成强大的发展合力。要找准合作优先领域和方向，推动经贸，金融，投资，基础设施，绿色环保等领域，合作齐头并进，提高发展中国家整体竞争力。[...] 南南合作不能流于空谈，要真正落到实处。我们要以互联互通，产能合作为突破口，集中力量做成一批具有战略和示范意义的旗舰项目，精品项目。要让每个项目开花结果，产生良好的经济，社会，环境效益，惠及普通的民众。要搭建自由融资平台，充分发挥亚洲基础设施投资银行，金砖国家新开发银行等新机制作用，为南南务实合作增添动力。

Xi presented a technology-centred outlook on development, which – while deliberately leaving others the space for an independent choice of a *social* system – has a very clearly defined understanding of how *economic* development should happen. As Li Xiaoyun 李小云, one of China's most prominent voices in development studies, has noted, “an ideology of technocratic

rationality, centred on technology-driven modernization has been central to China's policy stance from the beginning of the twentieth century, despite regime changes" (Xu et al. 2016).

While the Chinese government (here represented by Xi Jinping) rejects the normative centrality of Western donors and argues for a legitimately *different* mode of South-South Co-operation, one which – in line with China's "Five Principles of Peaceful Coexistence" – is based on "non-interference in each other's internal affairs" and "respect [for] each other's independent choice of development paths and social systems", the West is still considered a benchmark when it comes to the meaning of being "developed" technologically (though, admittedly, as the Covid-19 pandemic signaled that this may be shifting, too).

China's foreign aid policy rhetorically challenges the Western development paradigm, its benchmark for defining development and its prevalent exclusion of the possibility of learning from each other (Campbell 2008, 98–99). But it never contested notions of "developed" and "underdeveloped" – despite their implicit assumption of the unity and superiority of Western-style modernity, for which the concept of "development" has been criticised severely by postcolonial theorists (e.g. Escobar 1995; Wainwright 2008). On the contrary, in China's (official) historical memory, China had to make development and economic modernisation a state ideology after having suffered "semi-colonialism" and a "century of national humiliation" in order to ensure its political independence and ultimately to return to the centre, albeit one defined by the West. At a formal dinner in Shenzhen, a young party cadre told me this story:

You know, there is a reason why the Chinese people are so embracing new technologies, and the reason has to do with history. I'll tell you a story. There were two female rulers, the queen of England and the Empress Dowager of China. The ruler of England embraced modernity and the industrial revolution. She built warships. The ruler of China didn't like modernity. She built a ship of stone in the summer palace. As a result, the Chinese stone ship was defeated by the British steel ships and cannonballs.

To him, this little story about the British Queen Victoria and the Empress Dowager Cixi 慈禧 to him served to explain how China's backwardness created the imperative of technological modernization. Three other incidents, two of which are part of the historical memory and the third one, which is less known but had an enormous impact on China's economic development, were decisive in shaping China's modernization. The first was the May Fourth Movement, associated with demonstrations that broke out on May 4th 1919. Many patriotic Chinese felt they had been betrayed in Versailles when Qingdao and German extraterritorial lands in Shandong were not returned to China after the end of the first World War in which China had

fought alongside the Allies instead were handed over to Japan. Related to that, the (later) co-founder of the Chinese Communist Party and Mao Zedong's mentor Li Dazhao 李大钊 (1888-1927) wrote in the *Meizhou pinglun* 每周评论 (*The Weekly Review*) – a radical but short-lived magazine he published together with the other CCP founder Chen Duxiu 陈独秀 (1879-1942) – that the world system was a system of robbers (Li Dazhao 李大钊 1919):

...ah, the present world is still a robber's world! We still have no independence, no courage for self-determination, ... this truly is the greatest national humiliation! The reason why Japan still can rampage the world with its invasionism is entirely because the present world is still a robber's world.

If we don't have the spirit of national self-determination and world reform, to overthrow the robber's world ... we still won't achieve anything. Our three great oaths are:

To reform the robber's world,
Not to recognize secret diplomacy,
Implement national self-determination.

... 仅是曹、章、陆一班人， 现在的世界仍然是强盗世界啊！ 我们还是没有自立性，没有自决的胆子， 仍然希望共同管理... 这真是民族的莫大耻辱啊！日本所以还能拿他那侵略主义在世界上横行的原故，全因为现在的世界，还是强盗世界。

我们若是没有民族自决、世界改造的精神，把这强盗世界推翻... 也还是没有效果。我们的三大信誓是：

改造强盗世界，
不认秘密外交，
实行民族自决。

No wonder then that for Mao and other Communist Party leaders, technologically centred economic development was a means of survival in a “robber's word”. This is the reason why Mao approached the U.S. envoy John Stuart Service in March 1945, asking for assistance to build up China's light industry (section 1.2.1); this is why Zhou Enlai approached U.S. Ambassador in China John Leighton Stuart in 1949 (section 1.2.2) – with aid, in the end, being refused. In China's (official) historical memory, the country was pushed, in spite of itself, onto the modernisation path by its semi-colonial past (victimisation). The modernisation mission was extended to other developing countries who, like China, had been victims of colonisation and whom China had wanted to help to achieve political independence (from the West) already before the 1950s. Today, through the extension of its national development agenda to other developing countries, the Chinese discourse has created the “World Dream” and a “Community

of Common Destiny” (*mingyun gongtongti* 命运共同体) in which China is ready and has to share its unique development lessons with others.

This brings me to my final conclusions on the *assemblage* of China’s foreign aid. First, what cannot be ignored are the imprints of historical memory. They are visible in the basic principles of China’s foreign aid, as can be seen in this quote from the first White Paper on *China’s Foreign Aid* that I discussed in detail in section 3.4.3

China has been doing its best to provide foreign aid, to help recipient countries to strengthen their self-development capacity, enrich and improve their peoples’ livelihood, and promote their economic growth and social progress. Through foreign aid, China has consolidated friendly relations and economic and trade co-operation with other developing countries, promoted South-South Co-operation and contributed to the common development of mankind.

Adhering to equality and mutual benefit, stressing substantial results, and keeping pace with the times without imposing any political conditions on recipient countries, China’s foreign aid has emerged as a model with its own characteristics.

中国仍量力而行，尽力开展对外援助，帮助受援国增强自主发展能力，丰富和改善人民生活，促进经济发展和社会进步。中国的对外援助，发展巩固了与广大发展中国家的友好关系和经贸合作，推动了南南合作，为人类社会共同发展作出了积极贡献。

中国对外援助坚持平等互利，注重实效，与时俱进，不附带任何政治条件，形成了具有自身特色的模式。

Traces of historical memory are equally visible in many of the statements by Chinese scholars, like in the below quote by Zhang, Yanbing, Jing Gu [Gu Jing], and Yunnan Chen [Chen Yunnan] (2015, 12) in a paper written in English for the UK Institute of Development Studies:

China’s historical experience of colonialism and domination by other, primarily Western countries, as well as threats to its sovereignty and autonomy, have conditioned its ideological adherence to sovereignty within its own foreign policy. Whilst the legacy of colonial history continues to inform patterns of development aid for Western countries, **colonial experience has also shaped China’s principles of foreign policy and its emphasis on sovereignty, and indeed its aid policy.** [Emphasis added]

This narrative made from historical memory is deployed not only in ritualised official relations with African countries, as observed by Julia Strauss (2009) in her analysis “The Past in the Present: Historical and Rhetorical Lineages in China’s Relations with Africa”. As I have shown in this thesis, it is equally deployed in China’s domestic discourse. With regard to historical memory, there is no difference between external and internal communication. Hereby, foreign aid is also an externalisation of the domestic development and modernisation ideology. It presupposes – as evident in Xi Jinping’s elaborations on how South-South Co-operation should

happen quoted above – too, that other developing countries (want to) follow the same development track as China.

Second, China's foreign aid is *relational*. China's leaders have made it clear continuously that it is only through *lianhe ziqiang* 联合自强, “joint self-strengthening”, that China can truly develop. In 1979, Deng Xiaoping discussed that China needed a peaceful international environment for development and, therefore, it must provide aid. Similarly, the then Foreign Minister and now Director of the General Office of the Central Foreign Affairs Commission Yang Jiechi, stressed in 2013 that “since the “Chinese dream” is closely linked with the dreams of other peoples around the world, China is committed to helping other countries, developing countries and neighbouring countries in particular” (Yang Jiechi 2013). Chinese aid giving thus presupposes – in the sense of Marcel Mauss' (1990) *Gift Theory* – that aid will be reciprocated by and large. China's interest hereby is not fixed on something specific; the interest is rather the relationship itself and maximising *relational power*.

Third and finally, Chinese foreign aid does not follow a specific strategy – unless one would argue that it is a strategy not to have one. Like the famous saying allegedly coined by Deng Xiaoping, “Crossing the river by feeling the stones” (摸着石头过河), the development of China's foreign aid policy has been characterised by policy experimentation. While generally, this idiosyncratic (non-)policy has been seen as the reason for the success of China's economic reforms (Heilmann 2018) since it allowed to unleash the creativity of actors on various bureaucratic levels, in foreign aid it has created a rugged bureaucratic landscape and intransparency, that even the Chinese actors themselves see as a problem (see Chapter 3 Fig. 3-3 and Chapter 4 Fig. 4-2).

Why is all of these important? Because we need a radical shift in how we think about development. Development is not about “them” – the South – it is about us. The challenges we are collectively facing are unprecedented. 17 of the 18 warmest years since modern record-keeping began have occurred since 2001. African countries will face the hardest pressure to adjust to climate change. The African population is expected to double by 2050. Already, 60 per cent of Africans are below the age of 25. They know how their peers live in the U.S. and Europe thanks to instant communication possibilities of the information age, facilitated by Chinese telecommunication companies in Africa. Although the global economy is generally thriving, 850 million people still suffer from hunger, and nearly 1 billion live in poverty. How many people, particularly children, die from easily preventable causes?

What is often neglected in the Western debate about China's foreign aid is the agency of China's partner countries. The projects China offers do respond to real development needs in recipient countries. What is more, the Chinese offer is often the only one on the table. Generally speaking, the quality of Chinese projects abroad is no better nor worse than the quality of Chinese projects in China, and how good or bad the welfare gains are spread depends largely on the governance in the recipient country. The increasing authoritarianism in China presently does not change the fact that the aforementioned development challenges can only be solved jointly. For that, we need to change the present asymmetry of knowledge. China knows the EU countries much better than vice versa, partly caused by a (one-sided) language barrier (most of the younger generation of Chinese knows at least one European language). There are very few experts in Europe who are literate in China; the majority of the existing China analysis relies on translated sources – while only a fraction of all Chinese sources gets translated – and if so, often by Chinese translators. The big question that needs to be resolved, then, is how to mobilise China knowledge now and how to train the next generation of China-literate development experts.

While it tried to make a few first steps in this direction, this dissertation opened many barrels (as a German saying goes) and did not close them. A few selected threads might be worth exploring further:

- The theme of China being not yet mature, inexperienced, or maturing, which is a colonial discourse taken up by Chinese voices. We see it in 1982 when Hu Yaobang says that China does not know much about the countries it aided; in the early 1990s in Qi Guoqiang's statement that Chinese companies are not yet mature to survive on their own on international markets; or after the credit risk management reform for Chinese policy banks in 2017, where observers said, that the reason why China's lending was not sustainable, was that Chinese policy banks were quite "young".
- The theme of Chinese aid being a global story and that Chinese aid has always been embedded in a global context. Here, China appears to have focused on its own needs, but it also went with certain "trends", e.g. its interest in South-South Co-operation in 1982, its engagement in privatisation in development co-operation in 1995, and its quietly becoming more DAC-like, at least in the technical discourse, after 2010.
- The role of non-state actors in China's foreign aid which is still in its infant stage but has been slowly evolving since 2015. Exploring these threads and linking some of these in depth-analyses of Chinese foreign aid more closely with the literature on critical

development studies would enable us to counter narratives of China-Exceptionalism more effectively and in turn contribute to understanding China as an entity that is shaped by and shaping globalisation.

*“Will ‘Emerging Donors’ Change the Face of International Co-operation?” This is the question that Richard Manning, chair of the **Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC)** asked in 2006 – and at the beginning of this thesis. The answer in 2020 – and at the thesis’ end is: Yes, they did.*

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