The Dragon's gift: an empirical analysis of China's foreign aid in the new century

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Abstract

Purpose – The new century has witnessed rapid growth in China's foreign aid. However, there is still yet any consensus about the nature or the consequences of China's foreign aid. In this study, the author reviews the history of China's foreign aid and finds significant changes in China's foreign aid policy in the past seven decades.

Design/methodology/approach – The author analyzes China's foreign aid data between 2000 and 2017 from the AidData program with a Tobit model.

Findings – This study's results show both the similarities and differences between China and Western donors. These "Chinese characteristics" in its foreign aid, we argue, illustrate China's dual identity in the new century: both the largest developing country that minds its own economic development and an emerging global power that aspires to elevate its global status and enhance its soft power.

Originality/value – This article is, to the author's knowledge, one of the first comprehensive empirical analysis of China's foreign aid using the data from AidData program. It will enrich our understanding of the nature and consequences of China's foreign aid in the new century.

Keywords Foreign aid, Chinese foreign policy, Official development assistance (ODA)

Paper type Research paper

Introduction

Despite the fact that China did not turn itself into a global economic powerhouse until recently, China is no stranger to foreign aid. The People's Republic of China's history of aiding other countries is almost as old as the regime itself. In the first half of the 1970s, China spent a whopping 6–7% of its government expenditure on foreign aid (Zhou, 2008). Since the late 1990s, the world has witnessed another round of remarkable growth in China's foreign aid. According to the official data, in 2020, China's foreign aid is approximately $3.12bn, almost five-fold that of 1999 [1]. This amount, slightly over 8.7% of that of the US and outnumbered by twelve members of the OECD's Development Assistance Committee (DAC) [2], is not as impressive as in the 1970s. Nevertheless, in the background of China's rise, China's foreign aid has constantly been placed in the spotlight and drawn outsized attention. Intuitively, generosity from one of the world's largest economies should be welcomed and will add to the supply of much-needed resources to help the world's poor countries. Yet, a quick glimpse over the literature on China's foreign aid reveals more fear than cheer. From Naim's (2007) renowned concern of "rogue aid" to former Vice President Mike Pence's scathing criticism of "debt diplomacy" [3], China's aid has been repeatedly portrayed as a vehicle to pursue China's self-interests and tools to undercut Western donors' efforts to advance better governance.

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Are these reasonable concerns, or as the Chinese government claims, nothing but smear tactics against China's unavoidable rise? Although episodes used to support arguments on both sides abound, any systematic assessment of China's aid must overcome at least two major obstacles. The first regards the definition and the actual scale of China's aid. One major problem of the current debate is that both sides fail to distinguish between China's foreign aid and other types of financial flows (Dreher *et al.*, 2018). The DAC of the Organization for Economic Cooperation and Development (OECD) strictly sets foreign aid, or the official development assistance (ODA), apart from other official financial flows (OOFs). The latter includes both China's OOFs for representational or commercial purposes (i.e. military aid, language and culture promotion, or acquisition of shares from a foreign company. etc.) and foreign assistance with less than 25% grant. Obviously, accusing China of using military aid for political influences or purchasing a mine for natural resources misses the mark. The origin of such confusion is multifold. Technically, China's official definition of foreign aid is different from the ODA (Brautigam, 2011), which renders them not directly comparable. Yet a more significant source is the lack of transparency in China's official data. The Chinese Ministry of Finance, the authority that oversees China's foreign aid, only publishes aggregated annual data on its foreign aid. The lack of details on its composition or how these resources are allotted among recipients not only casts doubt on the validity of the whole set of data, but also leaves ample room for speculations and even manipulations. As a result, China's official data are rarely used and what we have seen in the existing empirical analysis is a wide range of estimates.

The second and more deep-seated obstacle is rooted in the different understandings of the nature of foreign aid between China and the DAC donors. Since its establishment in 1961, the DAC has dominated the international system of foreign aid. Over the years, the DAC donors continued to adjust their principles and practices. But the fundamental donor–recipient relationship remained largely intact. In this vertical, uni-directional relationship (Pang, 2013), the donors basically set the goal, list the conditions and instruct those recipients to modify their policies. Recipients are rewarded with more aid, or penalized with less, for their efforts or lack thereof. Because the DAC countries monopolize the supply of sources, recipients can hardly challenge the dominance of their donors even though the effectiveness of foreign aid is constantly being questioned (Edwards, 2015). In contrast, China tends to see foreign aid more as assisting a partner than as parenting a kid. Chinese decision-makers are inclined to view foreign aid as a special form of South–South cooperation. While parents are supposed to be selfless, partners are not. Of course, in this more equal relationship, what it lacks in dominance, it makes up in self-interests. This is why China's foreign aid may involve packages that Western observers criticize to serve China's own ends.

Therefore, to assess China's foreign aid, we not only need a comprehensive dataset that can distinguish different types of China's OOFs, but also a distinctive framework based on a horizontal and mutual-beneficial donor–recipient relationship. Unfortunately, the development in the existing literature is unbalanced. While endeavors to garner information from individual aid projects generate high-quality data such as the AidData project that allows elaborate exploration between China's foreign aid and other factors, existing empirical studies are almost exclusively based on traditional ODA models (Dreher and Fuchs, 2015). On the other hand, studies that stress China's different approach to foreign aid either exclusively focus on some specific episodes or particular project (e.g. the Belt and Road Initiative, BRI), or treat non-DAC donors as a homogeneous group without giving the second-largest economy's global ambition due consideration (Dreher *et al.*, 2013; Pang, 2013). As a consequence, despite their significant contributions, there is still a huge gap in our knowledge about China's foreign aid.

This paper tries to grapple with these two challenges and examine the recently released "Global Chinese Official Finance Dataset" by the AidData project in a theoretical framework of China's more cooperative approach to foreign aid. In the remainder of the paper, I first review the evolution of China's foreign aid policy. The analysis shows that China's foreign aid policy has experienced dramatic changes in the past decades. Therefore, it would be misleading to examine China's inconsistent foreign aid policy with a uniform framework. Then the focus is placed on China's foreign aid policy since the new century, and the examination suggests that China's foreign aid reflects both China's own interests and the needs of the recipients. The analysis leads to a bunch of hypotheses about the features of China's foreign aid policy. Lastly, empirical data are used to test these hypotheses. The findings depict a more complicated picture of China's foreign aid.

Evolution of China's foreign aid policy

In foreign aid literature, China is usually referred to as an emerging and nontraditional donor (Kim and Oh, 2012). However, under close scrutiny, such a term is at most partially correct. First, as far as the history of China's foreign aid is concerned, China is by no means an emerging donor. According to *The White Paper of China's Foreign Assistance*, issued by China's State Council Information Office in 2011, China's foreign aid can be dated back to 1950, one year after its foundation, when China started to provide material aid to North Korea and Vietnam. In 1957, when China's gross domestic product (GDP) per capita was below $70, China's foreign aid was about 1.97% of its GDP (Yang and Chen, 2010) [4]. While early recipients of China's foreign aid were either China's neighboring states or its less developed communist Allies, since the mid-1960s, China gradually extended its foreign aid to those newly independent developing countries. The 1970s saw a frenzy of China's foreign aid in terms of both the total amount and the number of recipients. For instance, from 1971 to 1978, the recipients of Chinese aid more than doubled from 30 to 66 (Yang and Chen, 2010). Between 1971 and 1975, when China's GDP per capita increased from $119 to $178, the average ratio of China's foreign aid to its government expenditure is 5.88% (Zhou, 2008). In 1973, it reached a historic high of 6.92%. These numbers are conspicuously higher than the international norm of 0.7% of GDP. Despite its own economic hardship during this period of time, the Chinese government managed to dole out more resources on foreign aid. In 1973, China was reportedly to disburse a greater amount of foreign aid than the US (Yang and Chen, 2010). As a matter of fact, with GDP per capita hovering around $150, China sent aid to many much richer countries on a per capita basis.

In the late 1970s, as China launched its economic reform, China's foreign aid policy underwent dramatic adjustments to serve China's new central task of economic development. Considering the previous foreign aid policy "excessively generous" [5], Chinese leaders significantly scaled back its foreign aid. Despite the fact that China provided aid to more countries, the share of its foreign aid to the government expenditure plummeted to 0.6%, less than one-fifth of the average (3.11%) between 1953 and 1978, and never exceeded 1% of China's government expenditure thereafter (Yang and Chen, 2010; Hu, 2014). China also started stressing the principle of "mutual benefit" and "common development", hoping its foreign aid projects generate benefits for its own economic development (Zhou, 2008). As for the form of foreign aid, China switched from grants and zero-interest loans to various forms of economic cooperation such as project contracting and labor service cooperation where Chinese enterprises can participate and profit from.

In the meantime, China quietly reversed its long-term no-acceptance policy toward foreign aid and actively sought out foreign aid from other countries and international organizations. In 1979, China signed an agreement with the UN Development Programme, formally turning into a recipient of foreign aid. In the following years, as the largest developing country, China received a substantial amount of aid from both international organizations and individual countries. For instance, before the Japanese government formally terminated its ODA to

China in 2018, China had received a total of $23bn in aid in terms of grants, loans and technical cooperation since 1979 [6]. China was also a major recipient of the aid from the World Bank. Between 1980 and 2010, China was the fourth-largest recipient of World Bank loans ($47.8bn, loan commitments) [7]. As of 2018, China was still committed to around $2.5bn by the World Bank [8]. As demonstrated in Figure 1, according to the data from the World Bank [9], China had been a net ODA receiver until 2011.

As China's economy continued to grow, China's foreign aid policy experienced another round of major revisions in the late 1990s. Since 1995, China had kicked off a series of reforms. Part of these reforms continues to tighten the connection between foreign aid and China's own economic benefits. For instance, to overcome the limitations of government sources, China strove to draw more non-official or semi-official sources by means of government-subsidized concessional loans, that is, the government would cover the difference between the concessional rate and the market rate. Because China usually required no less than 50% of the equipment, material, technology and services of the projects sponsored by Chinese concessional loans to be from China, this scheme significantly encouraged more Chinese enterprises to participate in foreign aid projects. In 2000, China further integrated its foreign aid into its "going out" strategy that encouraged Chinese enterprises to pursue the overseas market. Until 2009, the Chinese government subsidized concessional loans to 325 projects in 76 countries (Huang and Liu, 2013, p. 65).

But a more significant departure from its foreign aid policy in the 1980s is that China started increasing the share of grants, especially to those least developed countries. In 2000, China hosted the first Ministerial Conference of the China–African Forum in Beijing and vowed to increase its aid to Africa [10]. In 2005, Chinese President Hu Jintao announced "five main acts in China's foreign aid" at the UN, including zero-tariff to selected products from the 39 least developed countries and relieving all their unpaid debts [11]. One year later, at the first Forum on China–Africa Cooperation (FOCAC) summit in Beijing, more concrete measures were claimed to aid African countries. According to the 2011 White Paper, from

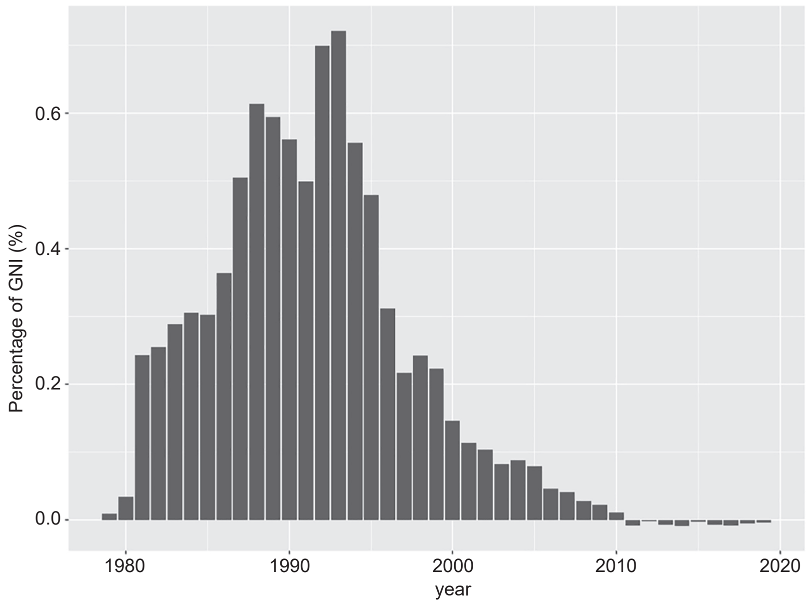

Figure 1.
China's Net ODA received (1978–2019)

2004 to 2009 China's foreign aid grew on average 29.4% annually. In recent years, as China tried to wield more influence in international affairs, such a tendency has become more pronounced. In 2015, Chinese president Xi Jinping announced at the UN summit that China would waive all the unpaid interest-free loans from the least developed countries, landlocked developing countries, and small island developing countries as of the end of 2015. He also pledged $2bn to the South–South Cooperation Assistance Fund (SSCAF). In 2017, Xi announced RMB 60 bn aid to member states of his signature Belt and Road Initiative (BRI) within three years and another $1bn donation to the SSCAF. In 2020, amid the coronavirus disease 2019 (COVID-19) pandemic, he promised $2bn to the World Health Organization (WHO) within two years for its efforts to battle the virus. According to the 2014 White Paper, China offered RMB 89.34 billion in foreign aid to 121 countries between 2010 and 2012. However, the newly published 2021 White Paper reveals that China forked out RMB 270.2 billion between 2013 and 2018, more than China's total aid in its first 60 years [12]. To sum, China's foreign aid policy has evolved into a sophisticated body of policies aiming for two distinctive goals: China's own economic development through cooperation with other developing countries and China's benevolent aid to those in need. While Western governments always consider them as two incompatible goals, China, as both a developing country and a major power, seems to integrate them seamlessly.

On the surface, the Chinese government asserts that its foreign aid policy has always been consistent and, from the "eight principles", laid out by Premier Zhou Enlai in 1964 [13], to the four-point principles of 1983 [14], and to the current South–South cooperation framework, following the same set of principles. Nevertheless, the brief review of the history of China's foreign aid suggests three distinct stages of China's policy [15]. At the first stage (before China's economic reform in the late 1970s), economic interests were entirely absent, and China's foreign aid policy was preoccupied with political goals and tinged with the heavy political hue of proletarian internationalism. If foreign aid can be considered one form of economic statecraft, China at this stage was absolutely a zealot. Ironically, when China had limited resources and scanty means to exercise power beyond its border, foreign aid became one of the most effective foreign policy instruments to reach out to other developing countries. Since China did not have any economic interests in most of those developing countries, China's aid has little economic potential for China's economic development, either. To those newly independent third-world countries, aid might be the only concrete support they can expect from China. It is also interesting to note that during this period of time, political screening was nothing but certain for China's foreign aid: it is inconceivable for China to offer aid to a country that was hostile to communism or friendly to China's Cold War rivals. Although China's aid was not without political payoffs – just think about the support China obtained from those developing countries when the People's Republic of China gained China's UN seat in 1971, such a level of foreign aid was simply unsustainable. In sharp contrast, China's foreign aid policy quickly shifted to the end of economic pragmatism at the second stage (the 1980s and early 1990s), turning into a tool to support China's new central task of economic development. At this stage, China's foreign aid is not only fewer in terms of the total amount, but more explicit in serving China's own economic interests. Grants gave way to equipment, bank loans, development projects, export and other commercial credits. In a strict sense, China's foreign aid at this stage is neither "official" in form nor truly "assistance" in nature. Foreign aid from poor China obsessed with world revolution or absorbed in economic development is doomed to unconventionality, if not a total failure. The origin is China's economic status. This is why China's foreign aid started bearing more resemblance to ODA at the third and current stage as China steadily marched to a major economic and political power. Economically, only after years of rapid and sustained economic growth, does China have enough resources to aid other countries and free itself from the pressure of direct economic payback. Politically, as a contender in the global arena, China tends to view foreign aid beyond a carrot to pursue a poor country's diplomatic recognition, but serves such long-term goals to improve China's international image, elevate its global status and enhance China's soft power.

However, this is not to say China's foreign aid will eventually converge to the ODA. As long as China deems itself as both a developing country and a great power, China's foreign aid will continue to carry the feature of partial ODA and partial South–South Cooperation, albeit with varying degrees. Such a dual identity helps to explain those "Chinese Characteristics" in China's foreign aid. At present, China's foreign aid programs are still housed in China's Ministry of Commerce, an agency whose primary task is to promote China's economic interests, whereas the Ministry of Foreign Affairs holds the veto power (Zhang and Smith, 2017). As more and more DAC donors part with aid tying – that is, to require recipient states to purchase goods, equipment, and services from certain countries (mostly the aid provider) – it is still commonplace for Chinese aid agencies to specify the minimum percentages of procurement from China (Brautigam, 2011). Obviously, China's reluctance to untie its aid is out of the concerns of its own economic development. China always touted that, unlike Western countries, its foreign aid is "unconditional", namely, "China will not attach any political conditions to its foreign aid, will not interfere with the recipient's domestic affairs, and fully respect the recipient states' right to select their own development paths and models" [16]. Again, such a distinction can be easily understood from the perspective of cooperation between two developing countries. As discussed above, such unconditionality does not preclude economic conditions as aid tying. Neither is possible for a developing country that criticizes China's human rights or moves too close to Taiwan to expect any aid from Beijing. Unconditionality might be true at the project level, with less micromanagement and supervision, but definitely not at the state level: the benefits are only for China's friends.

A model of foreign aid with Chinese characteristics

The review of China's foreign aid policy suggests some significant distinctions between China and other ODA donors. To DAC countries, foreign aid in the end stands for a preferential relationship: donors give and recipients receive. Although donors stipulate conditions and monitor how the program is carried out, providers of foreign aid in principle do not expect returns from the recipients. In contrast, while China's recent foreign aid looks more similar to the ODA, it still lays great stress on mutual benefit. Studies on ODA have shown that a state's foreign aid policy can be affected by two groups of factors: the interests of donors and the needs of the recipients (Black, 1968; Maizels and Nissanke, 1984; Cigranelli, 1993; Lumsdaine, 1993; Alesina and Dollar, 2000; Berthelemy and Tichit, 2004). The nature of China's foreign aid indicates China might be more sensitive to China's own interests than those of the recipients. Viewed from the perspective of donors' interests, foreign aid is a kind of economic statecraft to extend China's economic and political interests. A state is given aid if and only if it can serve China's economic or political interests; a state is given more (or less) aid when the situations in the state change in a way to serve China's interests more (or less) efficiently.

Generally speaking, as the world factory and one of the largest trading nations, the most significant economic interests China can expect from a recipient include trade opportunities and access to natural resources. Other things being equal, China would give priority to states with more bilateral trade and natural resources. This does not mean China looks down upon a country's market potential. Because the empirical analysis focuses on China's foreign aid in the new century, after two decades of global expansion, it is reasonable to assume that the existing trading relationship reflects China's assessment of each country's weight in China's economic development. Therefore, the following two hypotheses are laid out about the economic calculation of China's foreign aid:

H1. (Bilateral Trade): If China pursues the economic benefits of its foreign aid, more aid is given to states with more bilateral trade with China

H2. (Natural Resources): If China pursues the economic benefits of its foreign aid, more aid is given to states with more natural resources

On the other hand, if China aims to promote its political benefits, foreign aid should be given to those countries that are politically valuable. In this study, I contend that politically China would hold at least two types of countries in high regard. The first category includes those states with similar preferences to China. Because officially China sticks to a non-alignment foreign policy, preferences turn out to be the best indicator of the level of alignment between China and other countries. Studies have found that states with analogous preferences are more likely to cooperate (Fearon, 1998; Gartzke, 1998) and less likely to conflict (Fearon, 1995; Powell, 1999). In this study, the similarity between two countries' UNGA voting is used to measure the similarity of their preferences. This measure is widely applied in both international relations in general (Voeten, 2000), and Chinese foreign policy in particular (Flores-Macias and Kreps, 2013; Ye, 2016). The second category consists of states whose political system is similar to China's. China is not a democracy, and the ruling communist party has denounced once and again representative democracy as unfit for China's situation. As more countries converted to democracies in the wake of the Cold War, China's authoritarian regime ruled by a single party stood out against the trend of liberalization and democratization. In this situation, the survival of similarly unfree and unpopular regimes around the world is extremely valuable for China. These countries are China's natural Allies to resist any pressure for political reform. They can also use each other as evidence to justify the rights of the people of a country to "choose their own development path". Therefore, it is in China's interest to uphold members of this shrinking community of unfreedom with foreign aid. The above discussion results in the following two hypotheses:

H3. (Preference Affinity): If China pursues the political benefits of its foreign aid, more aid is allocated to countries with similar preferences

H4. (Political Regime): If China pursues the political benefits of its foreign aid, more aid is allocated to states with a similar political regime

Apart from the donor's interests, an alternative perspective in the existing literature on foreign aid sees foreign aid as being driven by the needs of recipients. In other words, from this perspective, a state receives aid because it needs assistance, and a state that needs more aid is expected to receive more. Therefore, to test whether China really intends to help those in need, it is hypothesized that China's foreign aid policy as a response to the particular social-economic situations on the receiving end. The most significant condition to measure a state's need for aid is its GDP per capita and poorer states are more eligible for foreign aid. Another factor is population. For states with similar per-person income, foreign aid to those with more people means more can be potentially helped.

H5. (Recipients' GDP Per capita): If China concerns the need of the recipients, more aid is allocated to states with lower GDP per capita

H6. (Recipients' Population): If China concerns the need of the recipients, more aid is allocated to states with a larger population size

Taking literally, unconditionality means a complete absence of any political and economic conditions. Nevertheless, as discussed above, China's foreign aid has been loaded with economic and political conditions due to the feature of South–South cooperation. At the same time, ODA is by no means the complete void of political interests from donors and recipients (Bueno de Mesquita and Smith, 2009). Therefore, broadly defined political interests are not a useful perspective to compare China's foreign aid and traditional ODA. The key lies in the recipients' domestic political condition. According to Molenaers *et al.* (2015), the world witnesses the resurgence of political conditionality on foreign aid since the late 1990s. DAC donors have come to an agreement on not only whether foreign aid should achieve the goal of good governance but also how to achieve it. In other words, ODA has become increasingly path-dependent. In contrast, China emphasizes self-determination and opposes relying on such uniform solutions as the Washington Consensus to grapple with multifarious challenges developing countries face (Suzuki, 2011). The equal relationship of South–South cooperation is more goal-oriented. Therefore, China does not seem interested in, nor is it capable of, monitoring the procedure inside the recipients. From this perspective, China's self-claimed unconditionality should be more appropriately interpreted as an indifference with respect to other states' domestic conditions. Therefore, China is more likely to tolerate not only those repressive regimes, as discussed above, but also those states that are less effective in utilizing China's aid.

H7. (Recipients' Government Effectiveness): If China follows an unconditional foreign aid policy, China's foreign aid should not be affected by recipients' government effectiveness.

Data, method and findings

It is no secret that China does not have a transparent foreign aid program or data. As discussed above, China's Ministry of Finance only publishes China's total annual foreign aid data. The other significant documents about its foreign aid, the White Paper of China's Foreign Assistance published in 2011, 2014, and 2021, respectively, do not provide much more additional information either [17]. What makes the situation even more complicated is the lack of comparability between China's official data and the commonly used ODA data. Dramatic differences exist with respect to which particular items should or should not count. For instance, while China includes costs generated by foreign assistance such as fees and administrative expenses for firms implementing aid projects, the government interest subsidies for concessional loans, and the like as part of its foreign aid, they are not counted as ODA. On the other hand, while ODA allows the budget to be used to support foreign students and refugees, these expenses are not considered foreign aid by China (Brautigam, 2011). Because these differences vary by year and country, there is essentially no way to compare China's official data and other countries' ODA.

Due to the unavailability and incomparability of China's official data, this study uses the "Global Chinese Official Finance Dataset" (version 2.0) from AidData to test the hypotheses. Using a methodology called Tracking Underreported Financial Flows (TUFF), this dataset is based on data on China's "foreign aid and other forms of state financing that China committed to all lower- and middle-income countries between 2000 and 2017" [18]. If their search is comprehensive and the reports on these projects are accurate enough, we should have a quite reliable account of China's various types of foreign aid [19]. Of course, as a project-based data set, AidData runs the risk of underreporting or completely missing other forms of aid such as a grant or debt relief. Nevertheless, since most of China's foreign aid takes the form of specific projects, AidData should capture the bigger picture of the scale of China's foreign aid.

Compared with other estimates of China's foreign aid, the most significant feature of AidData is its effort to re-categorize China's foreign aid in terms of the DAC standard. First, it defines China's ODA-like data, which includes grants, technical assistance, interest-free loans, in-kind contributions of goods and services, and debt relief that are both officially financed and with development intent (Strange *et al.*, 2017). Following the DAC's definition, AidData uses "OOF-like" flows to refer to "loans and export credits that have little or no grant element or that are not primarily intended to improve economic development or welfare in the recipient country, as well as grants that are not intended for development purposes" (Dreher *et al.*, 2018, p. 185). To sum, although AidData is far from perfect, it is perhaps the best source, if not the only one, of China's foreign aid data that is comparable to aid data of the DAC members.

This study focuses on ODA-like data from those projects whose status is committed, implemented or completed. In particular, the dependent variable is (the log of) China's annual ODA-like foreign aid to a country (in constant 2015 USD). Figure 2 presents both the Chinese official data and China's foreign aid data from AidData [20]. It is easy to see that China's foreign aid from AidData is generally 1.3 to 22.8 times greater than the Chinese official data. Part of the differences should be ascribed to the different standards: AidData focuses on China's commitments while China's official data reports the actual disbursement. But the huge disparity between them indicates that the suspense that China may underreport its foreign aid is not entirely unfounded.

All independent variables are listed in Table 1, including their operationalization as well as sources. As we can see, all of these variables are commonly used socioeconomic and political indicators from sources that are publicly available. In addition to the seven independent variables, I include a control variable – the distance between the capitals of the recipient and China to capture the impact of geographic distance between China and the recipient.

Because China cannot provide foreign aid to each country every year – that means the dependent variable has lots of zeros, in other words, the dependent variable is a corner solution response – a nontrivial fraction of the population is zero and positive values are roughly continuously distributed. Therefore, the Tobit model is utilized to analyze the data. The outcomes are listed in Table 2.

Table 2 includes the outcomes of three models. Because the primary goal of this study is to find out how China selects the recipients of its foreign aid, the basic model (model 1) includes all 161 countries that are not the members of the OECD, the club of mostly developed countries, between 2000 and 2017. Model 2 centers on only those countries whose GDP per capita is smaller than that of China. Since China's economy grew faster than the world average, this model covers an increasing number of countries. Finally, model 3 targets an even smaller number of countries, the 50% of lowest-income states. The comparison of the

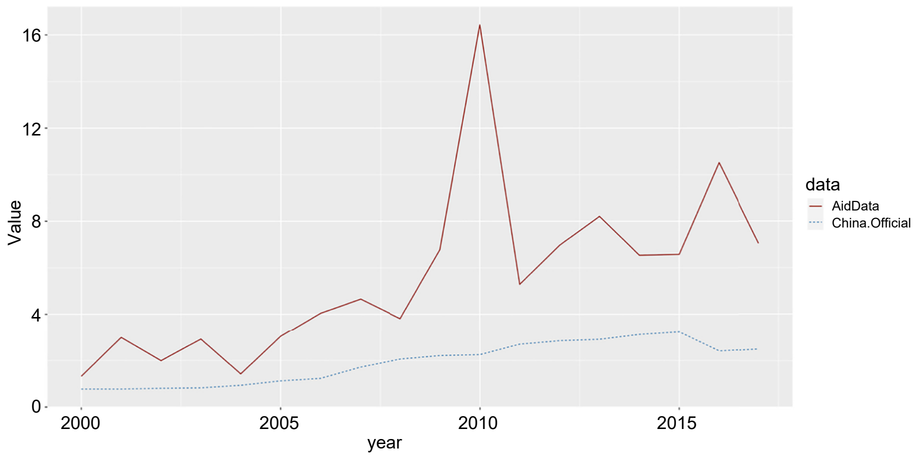

Figure 2.
China's Official data vs. AidData (2000–2017, constant 2017 bn USD)

Table 1.
Independent and control variables

Variables	Operationalization	Sources
Bilateral Trade$_{i,t}$	Log of the annual trade between state *i* and China in year *t*, (constant 2015 USD)	IMF[1]
Natural Resources$_{i,t}$	State *i*'s mineral rents (share of GDP) in year *t*	WDI[2]
Preference Affinity$_{i,t}$	Difference in their ideal points based on UNGA votes in year *t*	Voeten *et al.* [3]
Political Regime$_{i,t}$	State *i*'s polity score in year *t*	Polity V [6]
Recipients' GDP PC$_{i,t}$	Log of state *i*'s GDP Per Capita in year *t* (constant 2015 USD)	WDI[2]
Recipient Population$_{i,t}$	Log of state *i*'s total population in year *t*	WDI[3]
Gov't Effectiveness$_{i,t}$	State *i*'s government effectiveness indicator in year *t*	WGI[4]
Distance$_i$	Log of the distance (in km) between state *i*'s capital and Beijing	GeoDist[5]

Source(s): [1] The IMF, Direction of Trade Statistics, available at https://data.imf.org/regular.aspx?key=61726507; [2] The World Bank, *The World Development Indicator*, available at http://www.worldbank.org; [3] The United Nations General Assembly Voting Data (version 19.0), available at https://dataverse.harvard.edu; [4] The Worldwide Governance Indicators, available at https://info.worldbank.org/governance/wgi/#home; [5] The GeoDist Dataset, available at http://www.cepii.fr/cepii/en/bdd_modele/bdd.asp; [6] The Center for Systemic Peace, *The Polity Project*, available at http://www.systemicpeace.org

Table 2.
Tobit estimation outcomes (2000–2017)

Variable	Model 1 (*non-OECD*)	Model 2 (< *China*)	Model 3 (< 50%)
Donor's self-interests			
Bilateral Trade (ln)	1.25857*** (0.19154)	1.321061*** (0.193333)	1.24817*** (0.21353)
Natural Resources	0.34637*** (0.07599)	0.392412*** (0.076895)	0.29562*** (0.07821)
Preferences Affinity	4.59219*** (1.15128)	4.845839*** (1.130287)	3.24027* (1.42047)
Political Regime	0.05638 (0.04061)	−0.004593 (0.041304)	0.09476† (0.05498)
Recipients' need			
GDP per capita (ln)	−4.92702*** (0.35144)	−5.565883*** (0.350060)	−3.04713*** (0.47029)
Population (ln)	−1.42502*** (0.24864)	−1.656790*** (0.245641)	−0.80474* (0.38620)
Gov't effectiveness	−1.53651*** (0.44641)	−2.491369*** (0.440175)	−1.03290† (0.55928)
Control variables			
Distance (ln)	−0.86377† (0.44533)	−0.436059 (0.432268)	−0.24235 (0.53152)
Intercept 1	54.47506*** (5.64391)	57.621900*** (5.537380)	24.97655** (8.73046)
Intercept 2	2.16257*** (0.02184)	2.179853*** (0.021941)	2.08866*** (0.02728)
N	1932	2463	1025
Log-likelihood (df)	−4397.529 (3854)	−4510.06 (4916)	−2604.188 (2040)

Note(s): Significance levels †10%; *5%; **1%; ***0.1%

outcomes of the three models would generate significant insights into China's foreign aid policy.

The empirical analysis demonstrates a very consistent pattern of China's foreign aid in the new century. First, pretty robust evidence of China's attachment of its political and economic interests to its foreign aid is found. Hypotheses 1, 2 and 3 are supported in all three models. In particular, China tends to provide more aid to its trading partners. Ceteris paribus, for each 1% increase in a country's foreign trade with China, this country can expect from 1.25% (model 3) to 1.32% (model 2) increase in the foreign aid from China. Second, in all three models, China is prone to give more aid to countries rich in natural resources. Everything else being the same, each higher percentage of mineral rents (of GDP) leads to more China's aid from 0.30% (model 3) to 0.39% (model 2). Third, preferences affinity with China is found to boost China's foreign aid. As illustrated in Table 2, ceteris paribus, for each 0.1 increment in the similarity of its UNGA votes with China, a state can expect from 0.32% (model 3) to 0.48% (model 2) more aid from China. However, this analysis finds no evidence of China's preference for autocratic peers. In model 3, the outcome shows the opposite: democratic recipients actually receive more aid from China. But this relationship disappears once the examination is enlarged to all those poor countries or countries that are poorer than China in models 1 and 2. In short, the empirical examination does verify the statement that China's foreign aid at least partially serves China's own economic and political interests.

Second, the results also reveal that China is not totally oblivious to the need of recipients. In all three models, evidence is found to support hypothesis 5, that is, everything else being the same, more China aid flows to poorer countries. Specifically, one percentage lower GDP per capita is usually associated with 3% (model 3) to 5.6% (model 2) more foreign aid. The comparison of the three models indicates a non-linear impact on the level of recipients' economic development. Below a certain level, for instance, in model 3 where the poorest 50% of non-OECD states are concerned, a state's lower GDP per capita has less impact on drawing more aid from China. However, no solid evidence is found to support hypothesis 6. On the contrary, China's aid is concentrated in less populous countries. Controlling for other variables, each percentage increase in a state's population gives rise to a 0.8% (model 3) to 1.7% (model 2) less aid from China [21].

Finally, let us check hypothesis 7. Recall that the hypothesis stipulates that China is indifferent to the recipients' government effectiveness. In all three models, a significant negative relationship between China's aid and the recipient's government effectiveness is found. Therefore, the results lend only partial support to "unconditionality", the hallmark of China's foreign aid. On the one hand, China does reject the common principle about the quality of governance practiced by those traditional ODA donors. On the other hand, however, this negative relationship might not necessarily mean China intentionally pick ineffective governments for its foreign aid – less effective governments are more commonly found in those poorer states, which, as showed above, are likely to receive China's aid. As for the control variable, no statistically significant impact of geographic distance is detected on China's foreign aid.

To summarize, the empirical analysis demonstrates both the similarities and differences between China and those Western ODA donors. For one thing, China does not shy away from utilizing foreign aid to pursue its own economic and political interests. The analysis finds China is more likely to send more aid to its major trading partners, states with more natural resources and states with aligned preferences. The fact that poorer countries are more likely to receive more aid also exposes the element of development assistance in China's consideration. More interestingly, the empirical analysis lends partial support to China's frequently touted principle of "unconditionality".

Conclusion

The rapid rise of China has fundamentally altered the landscape of post-Cold War international politics. While there is still yet any consensus about the nature of China's rise or its consequence on other members of the international system, any general picture of China's rise in the new century can only be established by thorough and systematic examinations of China's foreign policy in specific fields. In this study, a preliminary analysis is conducted to explore China's foreign aid in the new century. The history of China's foreign aid is reviewed and I contend China's foreign aid policy at different stages is more properly examined separately. The current stage, which is closely related to China's rise, has some very unique features, or Chinese characteristics. While it differs significantly from either China's foreign policy soon after China's establishment or the early years of China's economic reform, it is not the same as the ODA, either. China's special situation determines its dual-identity of both an official assistance program and a cooperation framework with other developing countries.

I use aid data from the AidData program to examine these features of China's aid between 2000 and 2017. The results show a pretty consistent pattern of China's special foreign aid. Like its DAC counterparts, China does pursue its own economic and political interests. China also considers the recipients' own needs. But China seems to assign more weight to the recipients' potential for China's own economic as well as political interests. Finally, the analysis shows that China's assertion of "unconditionality" of its aid is partially correct. Unlike Western donors, less effective governments do not receive less aid from China. But the negative relationship between China's aid and the effectiveness of a state's government might not reflect China's preference over incapable governments. Understandably, it is never an easy task to measure a state's domestic condition or the quality of governance. The conclusion is contingent on the specific independent variable selected in the empirical analysis. It is the hope that this research can inspire more empirical exploration on those "Chinese Characteristics" of China's foreign aid.

Notes

1. Data are from the annual *National General Public Budget Expenditure* issued by the Minister of Finance of China. The exchange rate is based on the IRS's yearly average exchange rates for converting foreign currencies into US dollars.
2. Based on the OECD's Development Finance Data, available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/>, last accessed on June 1st, 2022. Also note that, as will analyzed shortly, because of the different definitions of foreign aid between China and the OECD, caution is advised when comparing their official foreign aid data. See Brautigam (2011) for a detailed analysis.
3. Former Vice President Mike Pence's speech at the Hudson Institute on October 4, 2018.
4. Estimated by the authors based on Yang and Chen (2010), China's foreign aid was RMB 2.1 billion.
5. Deng Xiaoping's speech at the Chinese Communist Party's Foreign Affairs Work Conference, July, 1978.
6. "Japan Ends 40-Year ODA to China", *Radio Free Asia*, October 24, 2018, https://www.rfa.org/mandarin/yataibaodao/junshiwaijiao/cw-10242018084753.html (last accessed on June 6, 2022).
7. "Overview of China-World Bank Cooperation", the Ministry of Finance of China, http://www.mof.gov.cn/zhuantihuigu/cw30/bjzlC/201009/t20100903_337285.html (last accessed on June 8, 2022).
8. "The World Bank in China", the World Bank, http://www.worldbank.org/en/country/china/overview (last accessed on June 8, 2022).
9. Data from the World Bank, World Development Indicators (WDI).
10. At this meeting, China promised, among others, to (1) increase bilateral trade between China and Africa; (2) encourage Chinese companies to invest in Africa; (3) provide aid without political conditions; (4) establish a fund to train African personnel; (5) relieve debt burden of African countries.
11. They (1) offer zero-tariff to some products from the 39 least developed states with diplomatic relations with China; (2) relieve all unpaid debts (as of the end of 2004) from least developed states and other most indebted states within two years; (3) provide $10bn concessional loans and preferential export buyer's credit in three years to help developing countries to improve their infrastructure; (4) increase medical aid to developing countries, especially those in Africa; (5) help developing countries to train as many as 30 thousand experts and technicians within three years.
12. According to the 2011 White Paper, China's total foreign aid until 2019 is RMB 256.2 billion.
13. These eight principles are (1) equality and mutual benefit; (2) respect for sovereignty with no conditions attached; (3) provided through interest-free or low interest loans; (4) promotes self-reliance; (5) focuses on projects with few investments and quick results; (6) uses best quality

equipment of Chinese manufacture; (7) emphasizes technology transfer through technical assistance; (8) Chinese experts will live at the standard of local experts.

14. These four principles are (1) equality and mutual benefit; (2) stress on practical results; (3) diversity in form and (4) achievement of common progress (Zhou, 2008).
15. There is little consensus among Chinese scholars regarding the evolution of China's foreign aid policy. See Zhang (2018) for a complete discussion of those different views.
16. *The White Paper of China's Foreign Assistance*, 2014, China's State Council Information Office.
17. The reluctance might be, at least partially, due to the unavailability of the data. Some scholars suspect that the Chinese government does not keep data (Lancaster, 2007).
18. AidData. "Tracking Underreported Financial Flows". https://www.aiddata.org/methods/tracking-underreported-financial-flows, last access on June 13, 2022.
19. One major problem of this project-based dataset is the lack of information for many projects. As Dreher *et al.* (2018) admit, about 41% of the projects lack the information of the total financial value. However, because much of the missing information is about "relatively cheap" projects, the overall impact of missing data is much smaller.
20. China's official data are from *China's Finance Yearbook*.
21. The outcomes remain unchanged even if India, a populous state that considers itself as a rival of rather than a recipient of aid from China, is dropped.

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