

# China's Bilateral Aid to the South Pacific Region:

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## *A Constructivist Analysis*

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## **Abstract**

This paper examines the role of China's national identities and the impact on its foreign aid policies and practices. The multiple identities shape China's role as a development partner in pursuit of economic cooperation with aid recipients and that seek to engage with traditional aid donors in terms of aid delivery.

To explore the influence of national identities-the victimhood identity, the developing country identity and the rising responsible power identity behind China's foreign aid policies and behaviors, this thesis uses a solid theoretical foundation-Constructivism. It analyses two empirical cases, the Fiji and the Cook Islands from 2006 to 2013, drawing from a large chunk of literature from English and Chinese publications, government documents, and relevant websites.

The thesis finds that China's aid policies and behaviors are mainly consistent with its victimhood and developing country identities. The country regards itself as a development partner rather than an aid donor and places great emphasis on mutual benefit and non-interference principles with a large proportion of its aid focused on infrastructure, construction-based projects. However, it also uncovers that China has started to address aid recipients' demands. The country has also learned how to handle aid programs from other donor countries, such as Australia and New Zealand, which is incorporated into China's new rising responsible power identity.

The research aims to challenge the dominated rationality-based analysis and hopes to trigger further discussion about China's aid and development.

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## **Abbreviations**

CCP Chinese Communist Party

KMT Chinese Nationalist Party

ROC Republic of China

PRC People's Republic of China

## **Chapter I Introduction**

### **1.1 Background**

China has increasingly been recognized as “an emerging aid donor” in the company of accumulated wealth and rising influence particularly since the start of the Millennium (Woods 2008). In comparison to “established donors” who have broken promises of offering more aid in global financial crisis, China has built up aid programs and established stronger relationships with developing countries (2008, p.9). Against the backdrop, China’s aid to the South Pacific region has been remarkably increasing since 2006, and in 2009 China has ranked the third largest donor to the region according to statistics provided by Sydney-based Lowy Institute (Hanson & Fifita 2011). More recently in 2013, China’s vice Premier Wang Yang reiterated the government’s commitment to provide assistance to the South Pacific countries at the Second China-Pacific Island Countries Economic Development and Cooperation Forum (FMPRC 2013).

The increasing volume and influence of Chinese foreign aid has aroused IR scholars’ interest to ponder why China does so. For instance, China is motivated by geopolitical, commercial and diplomatic interests in Africa, which applies to China’s engagement with other parts of the world. Consequently, a cost-benefit analysis leads to homogeneity of China foreign aid pattern, and it neglects the impact of non-material factors, such as norms, identities, on Chinese foreign aid. Thus, my research attempts to engage the debate by providing a deeper understanding of Chinese foreign aid sitting in a broad context of China’s further integration into international system.

### **1.2 The Research Question and Hypothesis**

The research question is concerned with the divergence and convergence of Chinese foreign aid as a rising power: to what extent has Chinese foreign aid converged with international aid norms since the start of the Millennium? I argue that a constructivism account is more convincing in explaining China’s recent engagement with the South

Pacific region than rationality account. This thesis therefore argues that China's align with the international norms remains limited due to the multi-faceted identities it is having, albeit China has adopted a more cooperative stance in aid practices.

### **1.3 Theoretical Framework**

The thesis will apply Constructivism as an International Relations theory to explain the formation of Chinese aid approach, in particular identities and norms in shaping China's aid policies and practices. Constructivism regards there is no single state of "rationality" within a regime, ideational factors such as their individual national identities, shared expectations and norms, have been attributed to the non-homogeneity of states' behaviors (Hook *et al.* 2001, pp.42-47), in contrast to the external, material factors such as power or trade as emphasized by realism and liberalism.

Identity in Constructivist account is of significance assuming that it shapes political actors' interests or preference with respect to the context that states find them in. In social constructivist theory, identity is "a relatively stable, role-specific understandings and expectations about self" (Wendt 1992, p.397). Despite a general consensus on "state identities were constructed within the social environment of international and domestic politics", Constructivists disagree on the "weight of international versus domestic environment in shaping state identities (Finnemore and Sikkink 2001 p.399). Accordingly, a holistic approach seems to bridge-the structure and agent-the two domains together. It focuses on the mutually constitutive relationship between the dynamics of global system and the state against the rise and possible demise of the sovereign state (Reus-Smit 2013, p.228). To be specific, the relationship between structures and actors involves inter-subjective understandings and meanings. External environments do constrain states, but states can also transform these constraints by relating to them and acting upon them in new ways (Jepperson, Wendt and Katzenstein 1996, p. 41). For China's identity formation, it is shaped by both domestic and international environment; however, as I will demonstrate later, the weight of the two factors is determined by the

extent that China's integration into international system.

Furthermore, within this inter-subjective social context, constructivists view the behavior of states as driven by rules of appropriate behaviors. Norms therefore constitute standard[s] of appropriate behavior for actors with a given identity (Finnemore and Sikkink 1998, p.891). In other words, norms are deliberately chosen to reflect "identity and culture", and promote the concept of correct behavior in a society as they prompt justification of states' action (Yeh2010, p.37). As such, once institutionalized, norms, acting on the basis of established beliefs and values, become a source of legitimacy and constrain the behavior of states (Katzenstein 1996, p.5). However, the concept of norms is dynamic, and subjects to forces of evolution and change. It is subsequently through internal actors and external pressures, such as bureaucratic politics, blocs and business activities, that foreign policy and ideas of national interest become shaped (Hook *et al.* 2001, p.72).

### **1.3. 1 The Implication of Constructivism for the Understanding of China's Foreign Aid**

Constructivism provides insightful understandings of analyzing how domestic and international factors produce particular identities of a nation-state, and how, in turn, such identities influence its interests and behaviors. IRs scholars have applied Wendt's insights into studying China's identity, and put emphasis on its search for a right place in the world. Deng Yong, for instance, defines China's national identity as "who are we, what do we collectively aspire to, what is special about being Chinese, and what most distinguishes us from rest of the world"(2000,p.44). Moreover, Robert Scalapino (1993, pp.215-216) stresses political elites' efforts in making China's national identity. He explains to us:

'relates to the way in which a people, and especially a policy-making elite, perceive the essence of their nation in relations to others. It thus influences attitudes and policies alike, being the psychological foundation for the role and behavior patterns of a country in the international arena...'

Thus, National identity could be understood here as a set of shared beliefs by the

Chinese Communist Party (CCP) and policy-makers on “who we are” and “what we do” in the international system.

Furthermore, Scalapino (1993, p.217) also reminds us that the concept of national identity is not fixed, but “it is constantly in flux being altered by a host of internal and external factors”. Likewise, Wendt (1994, p.2) argues that “actors normally have multiple social identities which have both individual and social structural properties...which enable an actor to determine who I am/we are in a situation and positions in a social role structure of shared understandings and expectations”. In China’s case, this could attribute to the interaction with outside world that China continues to redefine its status and identity in order to re-position itself within the international community (Zhou 2008, p.144).

China’s national identities have been formed by both political factors and also its interactions with the international community over time.

#### The victimhood identity

The victimhood identity has its origins in what Chinese called “a century of humiliation”, which began with China’s defeat in the First Opium War (1839-1842) and ended with the establishment of the PRC in 1949. William Callahan (2004, pp.37-8) argues that Chinese foreign policy has been described as closely related to its sense of insecurity, because of the shame it felt over the lost territory. Then, this victimhood identity is further constructed for most of the period from 1949 to 1976 during which China was isolated internationally due to its ideological hostility towards American and Soviet hegemony. This isolated victim identity provided China an opportunity to seek foreign relations with Third World countries. Therefore, PRC would rather be an aid donor to its friends and partners in developing world than be an aid recipient of the developed world regardless of the economic backwardness (Yeh 2010, p.39). However, in the post-Cold war era, the end of the capitalist-communist division has presented CCP



leaders with new challenges to the legitimacy of one-party political system. Particularly, in the wake of Tiananmen incident and the dissolution of Soviet Union, the construction of victimized identity therefore focused on strengthening the victimization narrative in Chinese national identity. As such, to win general public's support for the regime has been prioritized by the leadership in maintaining stability at home (Atanassova-Cornelis 2012, p.29).

#### The construction of developing country identity

With an increasing recognition from the international system, the victimized identity has been in decline, and gradually transformed to the construction of a developing country identity.

This variation emerged during the Deng Xiaoping era when the CCP leadership started to promote reforming policies, and it continued to be constructed by his successors, Jiang Zemin and Hu Jintao. The developing country identity puts emphasis on China's economic growth, and it also maintains the long-time narrative of a humiliated history. For the latter, as Gustaaf Geeraerts (2007, p.6) argues, it has injected an element of inferiority into the national identity that has remained. In a way, to build a strong nation-state and the realization of modernity and prosperity have been objectives endured throughout successive leaderships since the founding of PRC. And the formation of developing country identity reflects the efforts the Party has made in pursuit of strengthening people's loyalty towards the Party. It in turn guarantees its own legitimacy and preserves domestic political stability. Accordingly, development in official term serves "the basis for solving all problems in China and for China to conduct effective diplomacy" (Atanassova-Cornelis 2012, p.97). Therefore, the developing country identity has provided China with dual roles in seeking cooperative relations with international donor community, and also in maintaining good relations with developing countries. As such, in Deng's era, China became more comfortable with both an aid recipient and an aid donor.

And yet, the developing country identity seems lose its legitimacy given China's remarkable economic growth. However, the maintenance of the rigid self-perception in international aid community has legitimate reasons. First and foremost, it is a powerful political message to Chinese general public. As prosperity is the ultimate goal for a strong statehood, it helps achieve it under the leadership of CCP, and thus maintain the legitimacy of CCP governing its own people. Moreover, it could also be an appealing message to recipient countries. Carol Lancaster (2007, p.5) argues that:

For political reasons they want to project their own distinctive image in Asia, Africa, and Latin America—one of South-South cooperation...one of having emerged rapidly (but not yet completely) from those problems, and one that will provide them with a separate and privileged relationship with the governments they are helping and cultivating.

In addition, it is a reflection of China's relations with the Western powers making the former distinguished from traditional donors. Philip Snow (1994, p.309) highlighted China would abandon the developing world once it had repaired relations between itself and Western powers following changes in Chinese identity. In this sense, China certainly insists on its developing country identity domestically and internationally. Likewise, China will maintain its dual roles both as an aid recipient and an aid partner.

#### The construction of a rising power identity

The past two decades has witnessed China's wealth generation and rising influence in the international arena. To be specific, China aspires to be a globally respected power precisely projecting a populace unrelenting image that China is standing tall on the world stage under the leadership of the CCP. In practice, David Shambaugh (2013 p.23) attributes this to the pursuit of "face diplomacy". For instance, it means that China is willing to announce aid programs (projects) during high level of official visits in order to gain face (respect).

Furthermore, Geeraerts (2007, p.6) argues that the enjoyment of being an emerging

power could be interpreted into two dimensions. The first variant is to win back the status of a “global power” suggesting the nation will flourish again and become stronger in the 21st century. However, this one is embedded with the notions of realism and nationalism and is more appealing to domestic audience, but would be highly unsuitable in the eyes of the international society. By contrast, another interpretation is of being a “responsible country” as China has firmly integrated into the liberal international community (Geeraerts 2007, p.7). This one is associated with liberalism which is highly expected by western players, but is not necessarily convinced by Chinese home front.

The construction of a rising power identity is also shaped by the international system. Chinese foreign policy expert Gerald Chan has noted (2006, p.25), as China is more interactive with the outside world, there raises an expectation, “that the country should shoulder greater responsibility to international society”. Accordingly, the international community, in company with the rise of China, is expecting the latter to be a responsible stakeholder. Most notably, in 2005 in his remarks to the National Committee on U.S.-China Relations, former U.S. Deputy Secretary of State Robert Zoellick(2005) argued, it is time to take American’s policy beyond opening the door to China’s membership into the international system; it needs to urge China to become a responsible stakeholder in the system. As Brant (2012, p.14) explains, the responsible stakeholder concept has been “espoused as a way for the US (and China) try to manage China’s rise”. In the same vein, Zoellick (2005) also expressed an uncertainty of China’s future, proclaiming that “may countries hope china will pursue a peaceful rise”, but none will be their future on it. Thus, this concept is designed to fulfill as both a roadmap for how China can help strengthen the international system, and also a framework for diplomacy with China.

To response Zoellick’s argument, Gerald Chan insightfully points that, the fundamental elements to the Western thinking of responsibility is consist of individualism, freedom, and democracy leaving China little room for choice, thus China has to face this dilemma in its globalization effort(2006,pp.38-39). Thus, how to define responsibility and

construct a responsible power remains an unresolved question for China, which echoes a paradoxical position China is posing.

In addition, the construction of a rising power identity is associated with the other two identities. Shambaugh (2013, p.23) reminds us that the long-time narrative of overcoming the “century of shame and humiliation” is one of the determinants of China’s behavior in the international arena, because the CCP’s legitimacy from the very beginning is largely dependent on this mission. It is also related to the developing country identity as reaching the goal of prosperity and modernization is regarded as an effective cure for economic backwardness. Thus, the claim of “one China” policy as a unified PRC is no more than a protection of the weak China being victimized by great power politics, but it also demonstrates that China is sufficient to deter aggressions and to protect its own sovereignty in this sense.

Thus, the paradoxical position of a responsible rising power has an impact on Chinese foreign aid behaviors. Namely, China has possessed a more proactive action in participating in international foreign aid programs in providing large proportions of loans, credits and debt write-offs with special trade arrangements and commercial investments in developing countries (Woods 2008, p.1). However, the vigorous engagement does not mean China has fully accommodated to the international aid norms nor meeting up its own national interests yet. Zhao (2013, p.50) reminds us that China is still very reluctant and very selective in taking on global and regional responsibilities. Hence, it becomes both possible and necessary to explore whether any convergence towards international aid norms have occurred in Chinese aid behaviors, and how China’s primary motivations for aid donations have undergone changes both in aid norms and practices.

#### **1.4 Literature Review**

At the outset of my research, current scholarly debates have been empirical-oriented in

order to clarify and reinterpret misconceptions of China's foreign aid. Large chunk of literature on Chinese foreign aid have been studying its engagement with African countries. Chris Alden, in "China in Africa" (2007) provides a good empirical analysis on some misunderstandings that the West devours on the controversial nature and speed of China's increasingly engagement in Africa. Through his balanced argument, Alden claims that the request for natural resources, the legacy of ideology and the influence of recognition issues together have shaped China's African policy. He suggests that Chinese engagement could be beneficial to African development in particular through its investment capital and development assistance. Literature has shifted from analysis of Chinese foreign policy to international political economy and institutional approach in studying china's aid policy towards Africa. The study conducted by The Centre for Chinese Studies at Stellenbosch University "how China delivers development assistance to Africa" (2008) provides a detailed account of China's commercial engagement in selected empirical case studies. The report is significant in identifying the key issues relating to Chinese aid, outlining the different types of aid and highlighting institutions and Chinese state enterprises involved in participating Chinese aid provision. The report deconstructs the rhetoric and practices of Chinese aid. It calls for improvements to the transparency and cooperation with traditional donors on China's aid in this region.

Seen State-led economic cooperation and commercial driven initiatives as the main component of Chinese foreign aid, Deborah Brautigam in her book "The Dragon's Gift"(2009) goes a further step arguing that the past experience of a recipient from developed countries and a pursuit of a developmental state model have shaped China's business driven model of development. Brautigam draws our attention that the quantity of China's aid figures commonly reported in studies are exaggerated due to Chinese's self-conception of aid which is different from the standard measure of foreign aid used by other donors. She points out that the motivations for aid-financed projects are mixed with the eagerness of request for natural resources and nurturing Chinese enterprises to generate business. The author emphasizes on China is learning how to be transparency

and to regulate labors. Although being criticized by providing a rosy picture of China's aid in general, Deborah Brautigam provides insights into my research and I shall further study how China generates its aid model through a historical account.

The second group has been utilizing rational, cost and benefits approach to understand the motivations behind China's foreign aid. While linking to China's regional engagement with the South Pacific region, the dominant discourse is concerns with China's geopolitical, diplomacy and commercial interests. A then Chinese scholar Jian Yang who now serves as a New Zealand National Party list MP published a book "The Pacific Islands in China's Grand Strategy" (2011), at the time when the "China threat" theories become popularized in this region. Yang argues that China's approach to the Pacific islands region should be understood under China's grand strategy which is to help China build up the economic and technological foundation necessary to become a rich and prosperity country. Yang critically evaluated China's aid to Fiji identifying China's interests, aid type, the progress of Chinese aid financed –projects with conclusions that China is unlikely to displace Australia and New Zealand's strong influence in this region but will be more cooperative with them.

IR scholars such as Marc Lanteigne places China in the South Pacific in a broader dynamic of the rise of China and its impacts on global traditional powers. In his recent study, "Water dragon? China, power shifts and soft balancing in the South Pacific" (2012), Lanteigne argues China's engagement with the South Pacific region is motivated by strategic purpose and it is an extension of great powers' competition in the East and South Eastern Pacific. He in particular highlights political nature of China's foreign aid though the means of soft balancing behaviors such as aid provision but ultimately aiming at challenging traditional powers such as the United States and its alliances(Australia and New Zealand)to this region.

A series of reports has been published by Sydney-based think tank Lowy Institute on

China's engagement in the South Pacific. In the newly-released report "Big Enough For all Of US" (2013), Jenny Hayward-Jones argues that China is primarily supporting its commercial interests to fulfill its own economic development and pursuing South-South cooperation in this region. She claims that China is unlikely to promote a geo-strategic competition to challenge existing regional order. She suggests that traditional donors shall be cooperative with China in areas that could be beneficial to Pacific Islands. Those scholars unanimously assume that China is a rational actor who knows very well about what it wants and how it behaves. China's engagement with the South Pacific like elsewhere is to maximum its utility in tangible or intangible terms of security, wealth and power. However, they are not interested in questioning where those ideas come from and are able to shape Chinese foreign aid behaviors.

The third bunch of literature derives from Chinese scholarly works. The quantity of academic publications on China foreign aid has been gradually increasing in Chinese literature since 2010. It is the year marked 60 years of China's foreign aid provision perhaps draw scholars in China attention. Therefore, it is significant and necessary to have an overview on how Chinese scholars in China studying the topic in recent years. Scholarly works such as "China's foreign Aid: Achievements, Lesson and Benign development" (Yang & Chen 2010) provides a historical overview on China 60 years of foreign aid. It argues that 1978 is a landmark marked a beginning of a more pragmatism approach of Chinese aid provision. It calls for conducting more theoretical research on aid, and it suggests that China's domestic development is still the priority and thus foreign aid should be provided within its capability. Researchers from China Academy of International Trade and Economic Cooperation affiliated with China's Ministry of Commerce such as Xiaoqing Mao examines the position China should take in international donor community. The author argues that (2010) those traditional donors such as the United States and European Union remain the rules makers of international aid norms. As an emerging donor, as the author suggests, China should cooperate with other newly emerging economies under the framework of South-South cooperation.

Chinese scholars have responded to the publication of China first White Paper on Aid 2011, In the essay, “Ideational differences between China and the West in foreign aid” (2012), Yanbing Zhang and Ying Huang are consistent with Chinese official aid white paper arguing that the experience of being a recipient and its own experience of development have shaped China’s foreign aid activities. It highlights “self-reliance”, “no political strings attached” and “mutual benefits” are the core values embedded with China’s foreign (aid) policy. It draws our attention that Marxism remains the dominant ideology emphasizing on material development in recipients. It calls for the improvements to aid effectiveness through a trilateral cooperation mechanism with the West. With increasingly economic engagement to other regions, Huang Meibo and Ren Peiqiang (2012) provide a more cooperative attitude towards traditional donors. They argue that China has adopted a more pragmatism approach since 1978 other than insisting on Marxism doctrine. They call for the improvements to conduct further research of China’s foreign aid as an integral part of China’s foreign policy, and to learn and cooperate with traditional donors. Inclining to learn from traditional donors, scholarly works in Chinese under reviewed are descriptive in nature, lacking of theoretical analysis to formulate their arguments. At the same time, those literatures are inadequate in considering the impacts on recipients with no empirical evidence to back up their arguments.

Thus, through a survey of the exiting literature in recent five years, the three groups of scholarly works are inadequate to understand China’s foreign aid approach/model. Theoretically speaking, rational, cost-benefits analysis has largely applied to understand what has motivated China’s engagement with recipient countries led to homogeneity of aid pattern. Furthermore, China is no difference from any other donors, interests-driven in nature. In empirical sense, the study of China’s engagement into the South Pacific region has paid less attention to. Indeed, the thickness of the institutional environment of the region along with the trends of a rising China has provided unique opportunity to explore Chinese foreign aid approach with the transformation of its status. Last but not



the least, the two isolated discourses between English literature and Chinese scholarly works do not contribute to a better understanding and collaborations among scholars, policy makers and aid practitioners both in China and abroad. Thus, there is a gap in current scholarship, and I will attempt to narrow it down in my MIR thesis by applying Constructivism as a conceptual tool to better understand the dynamic of Chinese foreign aid, and by putting emphasis on China's engagement with the South Pacific region.

### **1.5 Methodology and Chapter Outline**

The thesis takes a qualitative analysis and case studies as the main methodology. A qualitative analysis is on the basis of international relations theory to elaborate the formation of Chinese foreign aid. Then, two cases of China's engagement with two South Pacific countries, Fiji and the Cook Islands, are under scrutiny by examining the changes and continuations of China's foreign aid approach. Besides, basic facts and data about China's aid policy and practice are collected from literature, official publications and relevant websites.

The first chapter is designed to build up a conceptual tool for understanding the changes and continuations of Chinese foreign aid approach. The second chapter contributes to explain what Chinese foreign aid approach is about, with a focus on the formation of aid principles and norms since the establishment of PRC in 1949. It also examines aid-related institutions and types to further justifying the theoretical approach. Building upon the first two chapters, the third one looks into China's foreign aid behaviors in a regional context. In particular, it explores whether China's own aid program is being influenced by its interactions with the regional donors and recipient countries. The final chapter makes a conclusion on China's foreign aid in practice in the hope of evaluating the significance of China in the normative structure of the donor community.

## **Chapter II the Formation of Chinese Foreign Aid Approach**

Having analyzed China's identities and aid norms on a theoretical basis, this chapter is aiming to investigate to what extent identities and norms' factors can explain the formation of Chinese foreign aid behaviors. In turn, it helps us understand what Chinese foreign aid is about, and thereby serves as the basis to examine the changes and continuations of the aid policy. To be specific, this chapter outlines the evolution of the policy from 1950 to current, particularly the influence of identities and norms that have shaped the transformation of China's foreign aid policy. As a result, the principles, features and organizational structure of Chinese aid system have been gradually developed, and then institutionalized.

### **2.1 Historical Background**

China has a more than half century history of aid provision. Power and Mohan (2010, p.12) remind us that "[History] functions as a discursive field through which current foreign aid policy is legitimized" (2010, p.12). Thus, a historical approach is helping us better understand what domestic and international environments that influence Chinese foreign aid policies and practices. The division of time period is classified on the basis of China's relations with the international system, with basically three periods of time, namely, the revolutionary stage (1950-1978), the pragmatic reform (1978-1995), and going global and being responsible (1995-current).

#### **2.1.1 The Cold War Era 1950-1978—revolutionary in nature**

Chinese foreign aid in Mao Zedong's era has shaped an ideological basis of China's current aid-giving principles. Aid during this time frame is political in nature. Against the backdrop of the Cold War era, realpolitik and ideological confrontation are the features of international system, which is constructed by the major players—the United States and Soviet Union. Lisa Anderson reminds us that "the major combatants—the United States and the Soviet Union constructed the conflict as one that transcended the realpolitik of

state interests to represent deep ideological commitments”(2004,p.9).

Against the Cold War setting, China has an intimate relation with the Soviet since the establishment of PRC, particularly from 1950 to 1960. The shared common ideology makes the Soviet Union China’s revolutionary comrade, as Steven Goldstein has noted (1994, p.229).As a result, the PRC signed a treaty of friendship and mutual assistance with the Soviet long before the former’s establishment (Copper 1976, p.116).Furthermore, as a newly established socialist regime, China desperately needs knowledge and some advice in running an industrialized economy (Halpern 1993, p.96). The PRC must learn from the Soviet Union, the only advanced industrialized economy in socialist bloc, and are expecting to receive more aid from the later to develop the socialist economy. As such, China began to build up an industrialized economy with the Soviet material and technical assistance (Zhou&Xiong 2012, p.17). And,it adopted no foreign aid policy but served as an extension of Soviet aid according to Franklin Cooper (1976, p.116).

However, the intimate relations did not last too long. PRC quickly regarded the Soviet model as “revisionism”due to a disagreement with the Soviet on how socialism works in the early 1960s.Goldstein has noted that Mao’s radical socialist vision has a decisive impact on the Sino-Soviet alliance (1994, p.243). In addition to a split with the Soviet, the PRC was hostile towards the United States which didn’t recognize the legitimacy of the socialist China back then. Deborah Brautigam (2011, p.30) explains to us that the US imposed an economic embargo on PRC since its establishment in 1949 for more than twenty years.

Due to an isolated international environment, the then premier Zhou Enlai’s ten-nation tour of the African continent in 1963-1964 embarked a significant stage in China’s foreign (aid) diplomacy. And it was featured the announcement of Eight Principles of Chinese Foreign Aid which is consist of equality, mutual benefits, and respect for the

sovereignty of the host, and emphasis on no strings attached and self-reliance. It is regarded as “the cornerstone of Chinese foreign aid still today”, as Brant explains (2013, p.74). Thus, Beijing’s foreign aid was provided to support socialist or revolutionary movements which were seen as an alternative to the Soviet socialist model. He Wenping(2010, p.140) quoted Mao’s remarks to further explaining the ideas underpinned Chinese foreign aid when the Chinese leader met with African leaders in the 1960s stating that “in people who have achieved revolutionary victory should provide assistance to the people who are still struggling for liberation, and this is our international duty”, which in Li Anshan’s (2007, pp.70-71) words is “on the struggle against colonialism, imperialism and revisionism in the Third World”.

In relations to aid principles, Chinese foreign aid policies and practices were a reflection of ideological and geopolitical concerns. Mitchell and McGiffert(2007, p.13) summarize that Chinese foreign aid back then support international communist struggle to fight against imperialists and for its own independence. In practice, Chinese foreign aid was therefore to help communist movements and independence in a range of developing countries, including Angola, Indonesia, Malaysia, Mozambique, the Philippines, Zimbabwe, Thailand and Uganda. By 1973, China has committed to aid seven countries in Asia, six in the Middle East, three in Latin America, and twenty-nine in Africa (Brautigam2011, p.41). In operation, financed aid was targeted on projects with tangible results, agriculture and technical assistance. Furthermore, types of aid were consisting of loans (non-conditional, interest-free, or low-interests). Then Premier Zhou Enlai (2011, p.189) remarked in Government Work Report to the first Session of the Third National People’s Congress:

In recent years, we have expanded the scale of our foreign aid [...] we have summed up years of experience and formulated eight principles. We have always strained ourselves to help others and we have adopted the method of grants and low-interest rate loans in providing aid (emphasis added).

Furthermore, high economic costs of a number of landmark projects (eg. stadiums,

hospitals, conference centers) represented a symbolic meaning of nationhood and also China's moral support to African countries(Li 2007,p.72). One typical example was China's construction of the 1,800 kilometer Tan-Zam Railway between Tanzania and Zambia between the years 1970-1975, involved 16,000 Chinese workers. Both countries were led by socialist leaders and were regarded as China's closest friends (Brautigam 2011, p.40). However, one fundamental flaw of Chinese foreign aid project is that it has outpaced China's economy capacity. As Brautigam(2011,pp.51-52) illustrates, during the Cultural Revolution (1967-1976)Chinese foreign aid took an average of 5 percent of government expenditure including nineteen enormous "100 million RMB" projects which were completed regardless of economic costs and benefits. In addition, Chinese foreign aid programs failed to address the needs of recipient countries.(He 2012, pp.141-142).

Brant (2012,p.75)reminds us that the ideology of this era-third world solidarity, friendship (poor-helping the poor), equality, mutual benefit is vital to keep in mind in comparison with contemporary Chinese foreign aid norms and China's engagement with the South Pacific regions in the next chapter.

### **2.1.2 The Reform era 1978-1995-pragmatic in nature**

This era marks the roots of Chinese economic engagement with other developing countries. And, it also represents a high level of engagement with donor countries with a fundamental shift from ideological commitment to economic pragmatism. The changes of domestic political and economic situation in this period of time reproduce a new aid policy based on economic cooperation and mutual benefit. Furthermore, it was the time when aid delivery system begins to shape and improve.

In the time frame, the PRC's legitimacy was increasingly accepted by the international community with gaining the permanent seat of UN in 1971 following establishing diplomatic relations with Japan and the United States respectively in 1978 and

1979. Furthermore, Chinese foreign policy has shifted from an ideological-oriented mentality towards pragmatism in order to booster domestic economic growth. When Deng Xiaoping came to power in late 1970s, it embarked on a time of reform and opening up. Domestic economic development towards the goal of modernization is prioritized, and at the same time, the mentality towards international relations has become more cooperative. Thus, Maoist perception of self-reliance has been abandoned to a deep involvement in the international economic system. Likewise, China would require not only considerable assistance from abroad, but also a peaceful international environment (Goldstein 1994, p.251). As Gerald Chan argues, it shows that China has become more “normal”-that receiving aids from the outside “is not regarded as a national shame, if it can maintain “self-sufficiency” permanently (2006, p.23). As such, under Deng’s leadership, he redefined China’s role as both an aid recipient and an aid provider. Since 1979, China began to receive a large amount of multilateral aid and also bilateral aid from Japan, Germany, making China one of the biggest aid recipients in the world to acquire resources and knowledge needed to speed up domestic economic development, according to Zhou (2011, p.193).

At the end of the Cold War and the fall of communism in East Europe, Tiananmen Square protests in 1989 have had a profound impact on China’s foreign aid policy, in the international front, the condemnations along with economic sanction by Western donors pushed China to further enhancing its relations with developing world, particularly with African countries, including making foreign aid double from around RMB 1.6 billion in 1991 to almost RMB 3 billion in 1994(Varrall 2012, p.147)). Furthermore, China has adopted a low-profile policy in the wake of the Western sanction (literally *taoguang yang hui*) biding time while hiding capabilities, and focusing on national strength-building, as Suisheng Zhao (2013, pp.32-33) explains.

During this period of time, Chinese foreign aid programs embarked on integrating with its economic development strategy. As Brant explains(2012, p.76), China began to

experiment with different forms of economic cooperation in order to achieve “cooperation for mutual benefits”, such as contracted construction projects, agricultural projects, training, labor services, and joint venture activities in order to increase the efficiency of bilateral aid. In the same token, Zhou Hong (2013, p.24) attributes this to the development of market economy, arguing that China has established joint ventures with donor countries. As such, Foreign aid was utilized to support Chinese companies in establishing joint venture investments in recipient countries. However, owing to the lack of foreign reserves in many countries, China sets up a system of “connecting countertrade to development projects”, as Brant illustrates (2012, p.77) that it is a barter system where innovative sources of repayment were arranged in ways that benefited both China and recipients.

Additionally, China has undergone a series of profound domestic economic and political reforms that have pushed its foreign (aid) policy to become more open to the international community. China starts receiving bilateral and multilateral aid as it has changed its attitude towards international assistance and further developed its aid delivery mechanism through the interaction with donor countries. Furthermore, the influence of ideology, particularly communist ideology has declined, and pragmatism has correspondingly increased as Zhao has noted (1996, p.53). Thus, China began to understand foreign aid could be used as means to booster national economic modernization in request for resources and materials needed. As Robert Sutter (2008, p.2) insightfully comments, Chinese leaders are seen to be focused on promoting China economic development while maintaining political and social stability. As a result, Chinese foreign aid programs as an integral part of Chinese foreign policy placing great emphasis on international economic exchange beneficial to Chinese development and recipient countries, along with the consistence of “non-interference” and “no strings attached” aid principles.

### **2.1.3 The Rise of China 1995-Current- Going global and Being Responsible**

Chinese foreign aid during this period has been keeping pace with the rapid economic growth with adherence to the traditional principles of equality and mutual benefits. China's foreign aid policy was designed to fulfill the needs of domestic economic development. A veteran international relations analyst Stefan Halper(2010, p.140)points out, domestic economic development is vital to the legitimacy of the Chinese Communist Party, thus it is indisposed to give up a consistent economic growth at a rate for Chinese policy makers. In operation, the foreign aid policy incorporates into the national macroeconomic strategy. Kobayashi (2008, pp.37-38) explains that the national development strategy, namely, "Five-Year Plan" has influenced Chinese foreign aid policy. Although there was no direct reference to aid policy in the Tenth Five Year Plan (2001-2005), foreign aid became part of the China's "going global" strategy for securing access to needed natural resources and expanding overseas market (Kondoh et al. 2010, p.37). In this sense, it could be labeled as neo-mercantilism with the similar features of Japanese ODA to China during 1978 to early 1990s. To be sure, China is still seeking for economic development placing emphasis on social welfare and sustainability, and it also attempts to improve its social standing in the international community through cooperative and responsible means.

Thus, the rise of China in company with rapid wealth generation enables China to acquire influence and respect in international arena as a rising power. To be a responsible great power reflecting China's concern with its image and desires to be seen as responsible, seeking to relieve fears associated with its rise. Being a responsible power also interplays with foreign aid provision. In fact, the Chinese government has positively responded to this. As Brant explains (2012, p.88) that

'The Chinese Government understands and seems to accept the norm that important members of the international community should be giving aid, and regards this as a relatively easy way to offer evidence of its responsible actions'.

In the same token, Deng (2005, p.64) argues that China is accepting of the established



patterns or international orders to international interactions. In fact, in Chinese foreign aid White paper, it states in the open paragraph that China has been providing aid as part of fulfilling its due international obligations (2011, the White Paper). Chinese international relations scholar Zhou(2012,p.36) argues that in practice China's foreign aid has included providing medical and training services to developing countries which demonstrated China has extended to social aspects to needs of recipients. In 2005, then President Hu Jintao (2005 United Nations) stated China's response to the fulfillment of MDGs:

China will, in the next three years, increase its assistance to developing countries, African countries in particular, by providing them with anti-malaria drugs and other medicines, helping them set up and improve medical facilities and training medical staff. Specific programs will be implemented through such mechanism as the Forum on China-Africa Cooperation as well as bilateral channels. China will help train 30,000 personnel of various professions for developing countries within the next three years so as to help relevant countries to speed up their human resources development.

To sum up, Chinese aid in this period has expanded in scope, scale, financing, location and effect along with the strength of China's economic capability. When further integrating into the world economy facing accelerated competitions in global market, China seeks to further foreign aid and economic linkages (Brant 2012, p.78). Furthermore, along with the rise of China, the international community is expecting a responsible actor to shoulder more global responsibility, and thus the presentation of new trends of Chinese foreign aid in terms of aid programs, aid modalities are worthy of analysis in this section.

## **2.2 The trajectory of Identities and Norms in China's Foreign Relations Since 1949**

Chinese aid principles and norms influence the way Chinese aid is presented, and also is perceived by traditional donors. Brant (2012, p.90) reminds us that "the way China presents and conceptualizes its aid is important as it indicates the way it wants it to be perceived". Chinese aid principles and norms could link to China's multiple identities which I have analyzed in the first chapter. The Eight principles of Chinese Foreign Aid as

commonly cited narratives was announced by then Chinese premier Zhou Enlai in 1964. It consists of equality, mutual benefit, and respect for the sovereignty of the host (the principles of peaceful coexistence), and emphasis on no strings attached and self-reliance. These principles have been rearticulated by successive Chinese politicians and government officials, and are still regarded as “the cornerstone of Chinese foreign aid still today”, as Brant explains (2013, p.74). Some of these elements are reemphasized in the 2011 released official White Paper as core norms of Chinese foreign aid: fostering recipient countries self-development capacity leading to self-reliance development; neither imposing political conditions nor interfering with recipients domestic issues and, adhering to equality and mutual benefit (2011, English translation of the White Paper, pp.5-6).

The following section is analyzing the formation of the three core norms of Chinese-self-development and self-reliance; non-interference and non-conditionality; and equality and mutual benefit. It will trace the formation and evolution of those norms, and thus inform our later analysis of the continuation and changes of Chinese aid approach as the further integration into the international system.

### **2.2.1 Self-Reliance and Self-Development**

Self-Reliance and Self-Development are the fundamental tenet which China always adheres to. When providing foreign aid for recipient countries, China attempts to build up their self-development capacities (the White Paper 2011, p.5). The self-reliance principle is a reflective of China's victimhood identity due to the historical “national humiliation”, and is also reinforced because of international isolation in the Cold War era. It demonstrates two forms: the right to choose one's own path to development and an insistence that aid is not given as a “gift” (Brant 2012, p.91).

During the Cold War era, China endured ideological confrontation with the US over Taiwan in 1950s and Korea and also split with the Soviet Union in 1960s. Steven

Goldstein has attributed the reason to Mao Zedong's assumption about "the piousness of China to Soviet revisionism", and China has the duty to defend the Marxist faith against international anti-socialist forces including revisionist (1994, p.247). Therefore, Mao's "self-reliance" policy illustrates an idea that one nation-state is not subjected to the influence of foreign countries particularly referring to the Soviet. David Kerr (2007, p.80) also provides us with a detailed analysis:

The repercussions of the breach with Moscow, occasioned in part by disagreement over the nature of socialist development, reverberated throughout the 1960s and 1970s. The withdrawal of Soviet aid and guidance in 1960 contributed to the economic crisis of 1960–1961; the loss of China's major trade partner forced it to look to domestic resources; and the deterioration in the country's security environment led to a major re-assessment of the military industrial strategy.

As a result, the abrupt cancellation of aid from the Soviet drove then Chinese leadership the negative image of dependence on aid and refused aid from foreign countries in the next 20 years (Kobayashi 2008, p.6). The sense of insecurity produced by the victim identity requires China should take the initiative role in development with its own hands. Furthermore, the notion of self-development shares the same meaning that one country has every single right to determine its own development path, and aid is not free gifts for recipient countries merely dependent on aid or support. Thus, the significance to self-reliance and self-development has been stressed by government officials. For instance, Chinese president Xi Jinping (2013), at an official visit to Tanzania in 2013 expressed this principle, stating:

There is no one-size-fits-all development model in the world. The diversity of world civilizations and development models should be respected by all. China will continue to firmly support African countries in exploring development paths that suit their own national conditions and increase exchanges of governance experience with African countries. (Emphasis added)

Yet, the principle of self-reliance and self-development is not value free. In practice, infrastructure-related aid projects serve as the means to fulfill the realization of

industrialization and modernization. To be specific, Chinese way of self-development is stressing the importance of stimulating economic growth as the means to achieve industrialization and modernization. However, in rhetoric, China is encouraging aid recipients to achieve the goal of modernization based on its own conditions and requirements.

### **2.2.2. Non-interference and No Political Conditions**

Non-interference in internal affairs of another country is the cornerstone of China's foreign policy, and also serves as an extension of Chinese foreign aid. The idea of non-interference derives from the classic Westphalian concept, stating that states should not interfere in the internal affairs of other sovereign states (Yeh 2010, p.67). Thus, a Westphalian system is said to rest upon sovereignty of political unit, territorial sovereignty, and non-intervention.

China has held a statist view of classic Westphalian concept emphasis on the central importance of state authority in notion of sovereignty. Its adherence to strict Westphalian norms of state sovereignty is also shaped by China's victimhood identity. Furthermore, the domestic sovereignty norm becomes rooted in the experience in leading up to the Chinese Communist Party (CCP)'s successful defeat of the Kuo Min Tang (KMT) in the civil war. As Yeh explains (2010, p.55), in keeping with its adherence to the sovereignty norm, China should not support, either direct or indirect, interference in the affairs of other sovereign states, and should resist such external interference.

The promotion of Non-interference norm since Zhou Enlai articulated the "Five Principles" as the corner stone of Chinese foreign policy in 1954. In practice, there is an increasing inconsistency. The often cited example contributed to justify the sovereignty norm did not affect China's behaviors in 1950s and 1960s (Yeh 2010, p.56 Brant 2012 pp.93-94, at the time when class struggles and ideological fever embedded with

Marxism and Leninist were dominant regardless of the Westphalian concept of sovereignty. Mao distributed aid to recipient countries in Southeast and Arica in support of specific insurrection and liberation movements, and therefore interfered with countries domestic sovereignty. Zhang Yongjin (2008, p.102) echoes this view arguing that “China’s understanding and practices of sovereignty statehood have been incomplete, selective, instrumental or even contradictory”.

The non-interference of recipient countries’ internal affairs shows respect for their development paths, and therefore attaches no strings to aid provision. As a matter of fact, the principle of attaching no strings makes a distinction between China and traditional donors. Noticeably, imposing no political conditions on recipient countries are emphasized rather than conditionality per se. Zhang Haibing(2009,p.93) has noted the changes in the language of “non-conditionality” range from different historical contexts. According to Zhang, it was first mentioned by Zhou Enlai in the Eight Principle as “not attaching any conditions”. The first shift occurred in 1980s while then premier Zhao Ziyang added the word “political” stressing “not attaching any political conditions” in China’s foreign aid policy. The second change occurred in 2005 removed the qualifier “any” as “not attaching political conditions”. Zhao commented non-political conditionality as “a highly robust and flexible policy”. However, the adjustment of the policy has been made in company with the changing domestic and international factors. Brant (2012, p.96) has commented the “subtle yet significant” changes demonstrate China’s capability to “modify the norm in response to changing domestic and international imperatives”.

Generally speaking, China is careful not to interfere in recipients’ internal affairs, and show respects for their own development paths which are suitable for their own national conditions (He 2012, p.147). However, for a long time, the acceptance of the one-China policy is the only condition attached to Chinese foreign aid. Be specifically, the Taiwan issue occupies a special place in this variant of Chinese national identity:

indeed, as long as China remains divided, it will not be able to completely overcome its victim mentality and reclaim its international status. Thus, the PRC deems the Taiwan issue to be an integral part of Chinese nation building, involving matters of territorial integrity and national unity. And, any attempts by the government in Beijing to seek a compromise with Taipei over the sovereignty issue, i.e. by accepting Taiwan as an independent nation-state, would likely result in a public backlash in the PRC and hence threaten the CCP regime. In this sense, one-China policy serves as an underpinned precondition in Chinese foreign aid policy. As we can see in the next chapter, switching recognition from Taipei to Beijing in the South Pacific region is the strings attach to gain aid from PRC.

### **2.2.3 Mutual Benefit and Equality**

The principle has been interchangeably used with “win-win” rhetoric in official remarks and documents (Reilly 2012, p.76). It suggests both the recipient countries and China would be beneficial through economic engagement or individual projects. However, the relationships between China and recipients are not necessarily equal. Brant (2011, p.1) argues that it is conceptualized with the belief that recipients’ development contributes to China’s development vice-versa. Moreover, the principle serves China’s domestic imperatives such as providing contracts for Chinese companies working on the government financed-aid projects. In this sense, the norm of mutual benefit does not convey strong domestic moral imperative for aid giving, nor is it immersed in a colonial, imperial, civilizing mission.

In relations to identities, the norm of equality and mutual benefit is being stressed in Mao’s era towards countries with similar ideology or same colonial experiences, particularly those newly independent African countries and the non-aligned world (Brautigam 2009, p.32), which somewhat share the experience of being victims of imperialists. Then, against the background of economy opening up, the norm is closed linked with developing countries identity, which enables China to develop

agrowth-based approach to foreign aid, and later cultivates a sophisticated market oriented-aid mechanism. In particular, the experience of being the largest recipient of bilateral aid from Japan since early 1980s has to some extent reproduced Chinese perception on mutual benefit into a more economic sense (Lancaster2009, p.39). When Deng Xiaoping came to power in late 1970s, China's economy devastated after years of ideological campaigns, whereas Japan had already ranked the second place in world economy. At that time, China is inspired by Japan which has been recovered from devastation after the Second World War to an economic super power in twenty to thirty years. Chinese scholar Feng (2008, p.6) explains that when Deng visited Japan in 1978 he expressed China's willingness to learn advanced techniques from Japan. As Katada argues(2009,p.56), China's perception on mutual benefit and economic cooperation is primarily due to the fact that a large amount of Japanese foreign aid was provided in the form of loans instead of grants while other bilateral donors such as the members of EU tend to provide grants. In addition, Chinese perception of how relations between two countries at different levels of development might be beneficial to both has been shaped on early interaction with Japan (Brautigam 2009, pp.47-48). As a specialist on Japan's aid, David Arase (1995, p.40) argues that:

The novel aspect of this so-called Goa formula in economic cooperation was that in exchange for assured access to important raw materials, Japan would provide the necessary equipment, technical training, and financing.

As a result, China has learned that economic cooperation would help the country earn foreign exchange. To be specific, Japan is abundant in capital and technology which is desired by China for the realization of industrialization. Meanwhile, China's rich in raw materials and in cheap labor is needed for Japan's economic growth.

Thus, the principles and norms make China differentiate from traditional donors. Lancaster (2007, p.5) insightfully reminds us China is seeking to differentiate it from the Western donors. She explains that:

[PRC] clearly do not want to be identified as just one more member of the rich countries' aid clubs. For political reasons they want to project their own distinctive image in Asia, Africa and Latin America—one of South-South cooperation, of a special understanding and sympathy that comes from sharing problems of poverty; one of having emerged rapidly (but not yet completely) from those problems; and one that will provide them with a separate and privileged relationship with the governments they are helping and cultivating.

In addition to the continuation of the traditional principles, the responsible power identity also requires China to adhere to international aid norms. It is interesting to see China has slowly transformed to respond to the international community hoping to demonstrate the willingness to be responsible. The slight shift can be seen from China's response to establish doors in Paris in 2005, when donors and aid recipients came together organized by OECD, signing the Paris Declaration on Aid Effectiveness, which promised a new system of mutual accountability based on ownership, alignment, transparency, harmonization, and results. The Chinese sent a delegation to the Paris meeting but signed by pledge by claiming itself as a recipient of aid not a donor (Brautigam 2009, p.133). The transformation goes on develop. During 2011 Busan conference on aid effectiveness the conference, China was refused to be taken as a donor during the presence and participation in.

However, Bergamaschi (2011, p.3) observes that the Chinese delegates speak about aid which they have been reluctant to do for decades, thus, slowly embracing bits of the existing international language. It showed that socialization and interactions play a role. Another example shows in the published 2011 official foreign aid White Paper. It states that the foreign aid objective is to "help recipient countries to strengthen their self-development capacity...and within the context of part of fulfilling its international responsibilities" (White Paper 2011). In a sense, it demonstrates Chinese self-claimed perception as a developing country and that its willingness to take the responsibility in international development community. Nevertheless, it also reflects a paradox position China has in terms of foreign aid provision and a compromise it has made for domestic front and international community.



## **2.3 The Institutionalization of Aid Norms and Types**

### **2.3.1 Operational Structure**

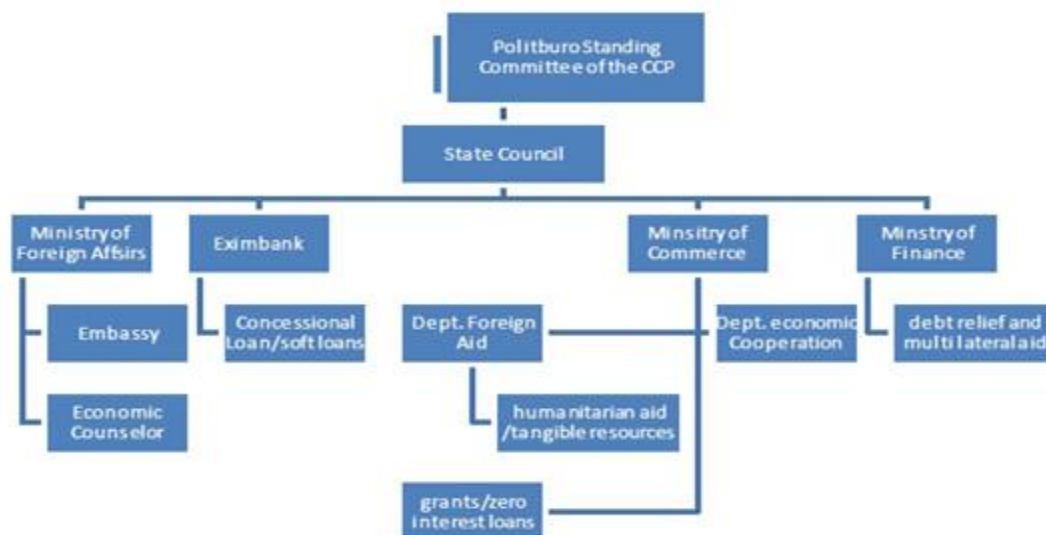
A strong mercantilism belief in company with the establishment of a sophisticated market mechanism has made a decentralized Chinese aid system where the economic-oriented aid institutions is in turn a reflection of a strong belief of economic growth serving as both the means and ends of aid.

The State Council guides the policy direction, the Ministry of Commerce is the major executive body of managing foreign aid, and the Ministry of Finance approves the budget and is in charge of multilateral aid. In addition, the role of the Ministry of Foreign Affairs is complementary to the Ministry of Commerce and Finance. As Brautigam explains (2011, pp.110-111), the former drafts the annual plan for aid together with the Ministry of Commerce, and also signs off on any changes in the aid plan, and decision on cash aid, along with the latter. The pundit's analysis demonstrates that the Ministry of Foreign Affairs has come clout but not influential. Brant (2012, p.122) also reminds us those other ministries (particularly Health, Education, Agriculture, Science and Technology) run their own programs. Along with ministries, two large policy banks-China Development Bank (CDB) and China Eximbank- are responsible for the bulk of China's overseas financing, according to Brant (p.122 Eximbank is in charge of managing concession loans which derives from the Chinese government's foreign aid budget. And, China Development Bank does not provide foreign aid, but it offers non-concession and development finance to other levels of the Chinese government, or state-owned companies (Brautigam 2011, p.115).

Furthermore, Chinese overseas Embassies and Chinese companies are involved in implementing the government-financed aid programs to recipients. To be specific, Embassies play a significant role in China's aid program's implementation. According to Brant (2012, p.123), the aid program is overseen by staff from the Economic and

Commercial Counsel's office within the Chinese embassy, and they are not development experts. Brant(2012,p.123) also reminds us that Chinese companies which are basically state owned enterprises (SOEs) are important actors in China's foreign aid program. And they are serving as Chinese contractors to implement China aid projects in recipients' communities in the fields like construction, transportation, heavy industries, etc(Fang&Lien 2012,p.8).

**Chart 1, the Organizational Structure of Chinese Aid System**



(Source: illustrated by Brautigam (2010, p. 108), and modified by the author)

In addition, Carol Lancaster (2007, p.5) points out that there is not an independent unit in any prominent think tank conducting the research with regards to Chinese international development. However, there are few entities specialized in Chinese foreign aid delivery and international development, for instance, Department of Development aid under Chinese Academy of International Trade and Economic Cooperation which is affiliated with the Ministry of Commerce. However, the entities itself is not as influential as other prominent think tanks in China, and also it is lack of accessibility and transparent to the outside.

### **2.3.2 Types of Chinese Foreign Aid**

The commercial nature of Chinese foreign aid is also reflected in types of Chinese foreign aid. It has seen a shift from a grants-oriented aid to an interests-based aid. Brant (2012,p.104)reminds us that grants and interest-free loans are the main types of Chinese foreign aid until concessional loans are introduced and implemented by China Eximbank in 1995.

According to the research conducted by Stellenbosch Chinese Centre (2008, p.1), there are basically three types of delivery with regards to China's bilateral grant aid, interest free loans, and concessional loans. And, the White Paper provides data seems to echo Stellenbosch's findings that up to the end of 2009, grants took the proportion of 41 % ( 106.2billion RMB), 30% interest free loans (76.54 billion Yuan), and 29% in concessional loans (73.55 billion) (the White Paper 2011). However, Stellenbosch studies suggests that the ration of grants to loans range from 1:100 to 50:50 is various from recipient to recipient (2008, p.11).

#### **2.4.2.1 Grant aid& Technical assistance**

Grants usually are not given as cash, but rather delivered in the formats of Chinese goods and services (Brautigam 2011, p.125). Grants are used for small-medium projects for social welfare, and other in-kind assistance. The official White Paper categorizes building hospitals, schools and low-cost houses, and water-supply projects as the fulfillment of social welfare (2011, p.7). Furthermore, other in-kind assistance is consist of providing expertise in the fields of education, health, agriculture, environmental conservation, military and processing(Stellenbosch 2008,p.11). In addition, it links to offer scholarships for studying Chinese, and training programs for recipients (eg, Fiji public servants went to China Executive Leadership Academy, Pudong). Apart from providing goods and services, Brautigam(2011,p.124) reminds us that chinese government's humanitarian aid as a rapid response to emergencies or disasters is provided by cash usually reported in US dollars, in keeping with a growing trend among

other donors.

#### **2.4.2.2 Interest-free loans**

Interest free loans are usually for 20 years, including five years of use, five years' grace and ten years of repayment are utilized for public facilities and projects that "improve people's livelihoods"(the White Paper 2010,p.8).However, interest free loans are only provided according to China's assessment of the recipients with relatively good financial conditions. According to Stellenbosch's study on Chinese aid to Africa (2008, p.13), the interest free loans would be cancelled and changed to debt relief in Africa (in effect convert into grants) on the occasions for high official visits. In a sense, it could interpret China aspires to gain respect from both recipient countries and the international community as a responsible power.

#### **2.4.2.3 Concessional loans**

Concessional loans are provided to fund large projects, with a minimum loan of 20 million RMB and a current annual interest rate of between 2-3%, with 15-20 year repayment terms after an initial 5-7 year grace period (the White Paper 2011, p.8). These loans are utilized for joint-ventures or cooperation projects, which are designed for generating both economic and social profits (Brant 2012, p.105). Unlike the interest free loans, concessional loans are at least write-off or rescheduled (Stellenbosch 2008, p.12). China Eximbank is in charge of raising the concessional loans, as Brant explains (2012, p.105), "to the government of the borrowing country with the nature of official assistance". The purpose of these loans is to "promote economic development and improve living standards in developing countries", and to "boost economic cooperation between developing countries and China", as Brant explains (2012, p.105).Interestingly, the eligibility of borrowing countries shall have sound diplomatic relations with the Chinese government, and shall be economically sound, with debt servicing capacity and reliable contract-performance record(Eximbank website, translate from Chinese to English, accessed on 3 Dec 2013).Brant (2012,p.105)reminds us that the range of

financial mechanisms are integral to Chinese aid for formulating economic and development agreements with other developing countries. The analyst (2012, p.105) also compares those financial mechanisms (official loans at commercial rates, exports credits, supplier's credits) with DAC definitions-would be classified as other official flows (OOF).

#### **2.3.4 Aid Modalities**

Regarding the forms of aid, the White Paper classifies eight forms: complete projects; goods and materials; technical cooperation; human resource development cooperation; medical teams sent abroad; emergency humanitarian aid; and volunteer programs in foreign countries; and debt relief (2011, p.9).

Generally speaking, the general impression is that the forms of Chinese foreign aid as "strong focus on hardware projects-physical infrastructure construction rather than software projects-research and capacity-building, as He (2012, p.152) comments. In details, the existing literature written by Chinese scholar and English speaking researcher highlights different part of aid forms. Brant highlights the distinctive features of the forms of aid to demonstrate the uniqueness of Chinese aid as potential evidence to justify the model with "Chinese characteristics" (2012, p.109). The analyst basically analyzes four categories in details. The first one comes from the form of "complete projects" known as "turn-key projects". For Chinese government, it is beneficial due to it is efficient and results-oriented. However, those kinds of projects are relying on Chinese contractors and laborers and therefore arouse concerns from other donors and recipients (Brant 2012, p.110). The second distinctive feature of China's aid program originates from Chinese Medical Team. Brant (2012, pp.110-111) explains that China is in charge of sending Chinese doctors overseas, providing medical facilities, medication. However, it is worthwhile to notice that whether Chinese foreign aid covers more areas such as epidemic, AIDS/HIV diseases and environmental protection.

Furthermore, Brant (2012, p.111) reminds of us that technical assistance is an important aid modality for traditional donors. The technical cooperation and human resources fit into this mode. Technical Cooperation is an important means to enhance recipients' development capacity. Human Resource Development Cooperation compasses training for government officials and other professional personnel from recipient countries. According to the White Paper (2011, p.14), those programs began to run in China. The sector includes the field of economy, diplomacy, agriculture, medical and health care, and environmental protection, etc. In addition to the previous four categories, emergency humanitarian aid, volunteer programs in foreign countries, and debt relief are relatively newly-developed forms. It could be understood in the context of the rise of China, and also part of the evidence to be a responsible power. China gradually plays a proactive role in humanitarian aid. With the rapidly growing economy, China has begun to promote Chinese language, culture and diplomacy all over the world. According to the White Paper, China began to send volunteers mainly in the field of Chinese language teaching, medical and health care from 2002 onwards.

By examining Chinese aid types and modality, it has demonstrated a slightly trends for China's adherence to international norms. As Brant argues (2012, p.89), Chinese foreign aid delivery is used in both rhetoric and practice to support the construction of the image of being a responsible power. So, to what extent China is engaged with Western donors and at the same time demonstrates its willingness to be responsible? Geographically speaking, China has expanded its engagement with others part of the world by holding forums framed aid within a broad set of economic cooperation policies. For instance, it sees the China-Pacific Islands Economic Development Forum was set up in 2006 against the backdrop of the rise of China and held the second one in 2013. I shall testify the changes and continuations through analyzing China's foreign aid in the South Pacific region in the next chapter.

## **Chapter III China's Bilateral Aid to the South Pacific: Cases Studies of Fiji and the Cook Islands**

### **3.1 Introduction**

Not long before in April 11th 2013, the Second China-Pacific Forum was hold in Guang Zhou city in Chinawhere the Chinese government announced \$1billion US dollars in loans and other forms of aid. It is also interesting to notice that climate change has addressed in Vice Premier Wang Yang's remarks. In comparison to the first Pacific Forum which was hold in 2006, both the quality and quantity of China's aid has been increasing. In a sense, it demonstrates that China is dedicated to maintain a longer-term relationship with the region.

This chapter is aiming at exploring the changes and continuations of Chinese foreign aid pattern. To be specific, China's status as a developing country keeps limiting the cost of financed-aid projects regardless of the impact and sustainability. Paradoxically, serving as a responsible power means that the donor country should stress concerns and demands of recipient countries, and adhere to international aid norms. Accordingly, it is plausible to put it into a broader context of a rising China and further integration into the international community.

### **3.2. The Rise of China and its Engagement with the South Pacific**

The acceleratedwealth and influence enable China to translate into influence-to be respected by other countries. It provides China's opportunity to engage with the international community to avoid encirclement or isolations. Thus, China's engagement with the South Pacific is better understood against the backdrop of a rising China and its interaction with the international community.

Wesley-Smith(2013,p.358) reminds us that China has expanded its engagement with developing countries in Africa, Latin America, the Middle East and Asia by "a plethora of recent investments and trade agreements, construction projects, and multilateral

initiatives". Apart from bilateral relations, China has taken initiatives to engage those regions under different multilateral frameworks. China firstly established "the Forum on China and Africa Cooperation" (FOCAC) in 2000. Ian Taylor (China and Africa forum 2011, p.1) commented it as "the institutionalization of Sino-African relations at a time of intensified interactions and following a period of exponential growth in such linkages". Furthermore, China has initiated a similar multilateral mechanism with Arabic countries called China-Arab states Cooperation Forum in 2004. The South Pacific is no exception. China established China-Pacific Islands Forum in 2006 in Fiji, and after seven years, the second one was held in Guang Zhou, China in 2013. What is important in recognizing the impact of this forum is that the growing economic imperatives underpinning China and the South Pacific linkages.

### **3.3. Norms and Aid Practice**

#### **3.3.1 One-China Policy**

As I have analyzed in previous chapter, the One-China policy could be understood embedded with the non-interference aid norms as Taiwan has been regarded as an integral part of PRC. Thus, competitions with Republic of China (ROC) for diplomatic recognitions are considered as a significant driving force for China in the Pacific. However, this variable has gradually become less noteworthy. In fact, both sides have made great efforts in enhancing existing relations.

Taiwan has long been regarded as an integral part of PRC. As Brady and Henderson explain (2010, p.193), the One-China policy means that other countries must only recognize the PRC as a judicial and legitimate sovereignty state, and therefore should exclude Taiwan as the prerequisite for diplomatic recognitions and aid delivery. The improved Cross-Strait relations are likely to lessen tensions and competitions between Taipei and Beijing in the South Pacific region. For instance, Taiwanese President Ma Ying-jeou proposed a diplomatic truce in 2008. As Marc Lanteigne (2013, p.2) explains, this truce signified that neither side would seek to entice one of the other's diplomatic



partners to switch diplomatic recognition. The scholar also reminds us that with Ma's re-election as president in 2012 the diplomatic ceasefire remain in place. Another analyst, Philippa Brant echoes this statement. In her recent opinion piece, Brant (2013, p.1) argues that the political rivalry between China and Taiwan "gives way to new maturity". That is to say, checkbook diplomacy is unlikely to ratcheting up, simply because neither China nor Taiwan (nor Pacific Island countries) wants to return to the days of wasteful white elephant aid projects.

In practice, China has provided aid only to those recipient countries that recognize China as the prerequisite, and expanded its aid relations toward a broader economic and trade cooperation. I will return this point while analyzing China economic cooperation with the South Pacific region. However, it is also necessary to manage a potential switch from China to Taiwan. Brant (2013, p.2) provides an example to illustrate that the domestic politics of recipients could also be another variable test political truce between the two entities. For instance, in 2011, Vanuatu threatened to open a trade office in Taiwan in an attempt to force China to provide funds to meet its US\$32 million budget shortfall. As a result, notably annoyed Chinese ambassador agreed to provide 'part of' the funds on the condition that Vanuatu upheld the One-China policy and didn't make moves towards Taiwan (Lowy Institute 2013).

### **3.3.2. Mutual Benefit and Equality**

Series of research reports released by Sydney-based Lowy Institute (Hanson & Fifita 2011, Hayward-Jones 2013a, 2013b) hold the view that what drives China is largely due to supporting its commercial interests and pursuing South-South cooperation in the region through analyzing China's aid activities and programs. However, I would argue that China's developing country and responsible rising power identities enable its further engagement with the South Pacific region. Furthermore, Chinese aid programs is a reflection of mutual benefit and equality principle. Making comparison with two official statements and addresses helps demonstrate China's commercial engagement

with the Pacific Island countries. Chinese aid delivery in the form of “packages” is announced by high level officials in Chinese-sponsored regional forums. In April 2006 then Chinese Premier Wen Jiabao announced \$492 million US dollars (RMB 3 billion Yuan) of preferential-loans from 2007-2009 in the first China-Pacific Islands Forum. It aims to “enhance cooperation in resources development, agriculture, forestry, fishery, tourism...” (Official speech 2006). Quite similar, not long time ago, Chinese vice Premier Wang Yang announced up to \$1 billion US dollars in concessional finance over four years in the second China-PFI forum (official speech 2013). Nevertheless, Chinese foreign aid in general is phrased under the framework of the “South-South” cooperation demonstrating a sense of equality (a framework for collaboration among developing countries in various fields, and is meant to take the form of partnership where knowledge and skills are shared to promote development). As Ron Crocombe (2007, p.218) correctly identified, China’s aid moved to a new level in 2006 and China widened the range to a pattern more similar to other major established donors by increasing the assistance to the fields of agriculture, education, forestry, fishing, tourism, manufacturing, telecommunications, aviation, shipping and health.

However, such altruistic explanations should not always be accepted at face value. In practice, the mutual benefits and equality norms seem not consistent with the rhetoric. Chinese governmental aid includes a combination of “aid” and “non-aid” measures. Commentators (devpolicy.org 2013) observe that both addresses saw a substantial commitment to concessional loans for infrastructure development. Thus, there is an increasing concern about recipients’ debt capability such as Tonga and Samoa. For these countries, there is unlikely to be any benefits from the new loans announced by China. Whether the full amount of \$1 billion is actually lent by China is also uncertain, given limited absorptive capacity in the region.

**Chart2: Comparison Official Statements Highlighted in Two Forums**

<b>Contents</b>	<b>1st Forum 2006</b>	<b>2nd Forum 2013</b>
<b>Trade</b>	Chinese investments	Zero-tariff treatment
<b>Concessional loans</b>	\$492 million US dollars (RMB 3 billion RMB) Cancel debts	\$1 billion US dollars
<b>Education</b>	Training officials	Scholarships Training Building up more schools Marian teaching
<b>Tourism</b>	Enhancing tourism with seven countries with diplomatic relations	Negotiating bilateral civil aviation agreements and bilateral direct flight
<b>Medicine</b>	Medical assistance Epidemic prevention	Medical assistance Epidemic prevention
<b>Agriculture</b>		Agricultural trade and investment through agricultural demonstration farms
<b>Environment</b>	Helping managing earthquakes, tsunamis and other natural disasters in Pacific countries	Energy-efficient home appliances Ocean environment monitoring system

(Sources: Chinese government Document 2006; Devpolicy.org 2013)

### **3.3.3 The limitation of Geopolitical Analysis**

A geopolitical interests-based analysis is not convincing to drive China's engagement with the South Pacific countries, given that South Pacific's limited influence in Chinese security strategy. Therefore, China's engagement with the South Pacific should be examined in the context of the rise of China and its engagement with other developing countries driving by commercial and status concerns. YongJin Zhang(2010,p.50) and Terence Wesley-Smith(2010,p.29) point out that China's engagement should be viewed

in a broader context of China's active diplomatic relations with other developing regions, namely, Africa, Latin America and southeast Asia.

However, the academic debates regarding China's geo-political concerns become more nuanced, for instance, Marc Lanteigne(2013,p.27) claims that a prompt Sino-US power dynamic is moving to a balance of hard power due to China's military modernization and American responses to its traditional defensive role in East Asia, thus having a "spillover effect" on South Pacific nations. Yet, the empirical evidence have demonstrated that China is expanding its naval and maritime capabilities, holding a hardline attitude towards territorial disputes in both South China Sea and East China Sea. At the same time, the United States is carrying out "pivot to the Asia Pacific" strategy under Obama administration. This interpretation is justified by a congressional research paper in which it demonstrates the worries about China's increasing military capabilities become a primary focus of U.S. military in spite of the fact that China is not the only potential source of challenges (American Congress analysis 2012, p.16).

However, the analysis starts from a realist premise of balance of power viewing it is a zero-sum game of inter-states relations. As American Ambassador to China, Gary Locke (Beijing US Embassy 2013) remarked:

Today the U.S.-China relationship has emerged as one of the most important bilateral relationships in the world, and so our two countries are attempting to develop a new model of relations whereby we are both committed to avoiding the historic trap of strategic rivalry between an emerging power and an existing power.

Furthermore, this analysis regards military capability as the driving forces for foreign policy making putting other determinants like economic development, domestic politics aside. Lanteigne (2013,p.21) also argues that the South Pacific is an integral part of China's assertive strategic plan to soft balancing traditional players such as the U.S. and its extensions of Australia and New Zealand. Thus, Chinese bilateral aid in the South Pacific serves as means to fulfill the overall strategic interests, which are defined as a

soft-balancing behavior, simply because Chinese aid is different from traditional donors.

Analysts hold the view that China's strategic engagement is limited in this region. In the upfront, Jian Yang (2011, p.132) argues that the South Pacific's values towards China's national security strategy should not be exaggerated, and would not likely to challenge existing dominant powers in this region. And, Fergus Hanson (2010, pp.91-92) echoes Yang's view providing more empirical evidence. Hanson observes that yet some of China's aid is directed towards regional defense and paramilitary forces (in Fiji, PNG, Tonga and Vanuatu), but it tends to be confined to benign intentions such as upgrading a military hospital in PNG or the supports of uniforms and cars for the Vanuatu Mobile Force. Furthermore, China's increased engagement with the South Pacific region is not challenging the traditional donors' (America, Australia, and New Zealand) development objectives given that the region is highly dependent on development aid. On the one hand, China's aid in terms of quantity is very modest given that the largest donor in this region remains Australia. On the other hand, regarding to aid modality, Chinese aid ideas is different from western donors, no strings attached, non-interference principles are consistent with China bilateral aid in the past and present. In comparison, Australia has adopted a "whole-of-government" approach of aid to secure law and order, consolidate the state, strengthen justice systems and improve economic governance towards its neighbor countries (Schwebel 2009, p.113).

I have demonstrated that a geopolitical interest is not convincing to drive China's engagement with the South Pacific countries, given that South Pacific's significance to Chinese overall security strategy. Therefore, China's aid delivery in the South Pacific should be examined in the context of the rise of China and its engagement with developing countries driving by China's identities.

### **3.4 Chinese Bilateral Aid Programs: Case studies of Fiji and the Cook Islands**

The study has selected two representative cases-Fiji and Cook Islands. For the former, Fiji makes itself an interesting case to examine the nature and patterns of Chinese bilateral aid projects with good reasons. To be specific, it is regarded as a “pivotal state” in the region a regional hub and a relatively influential player in regional politics, and thus possibly best serving China’s political, strategic and economic interests (Tarte 2010, p.118). Furthermore, Fiji also provides a good opportunity to test China’s relations with traditional donors in the region. For instance, when traditional donors have sanctioned development aid to Fiji due to the military coup, Chinese aid is welcome by Fiji simply because of “no strings attached”but has aroused worries by both Australia and New Zealand. With regards to Cook Islands, it provides an opportunity to evaluate the impact of China’s bilateral aid projects and new developments, given that the size of the country and its intimated relations with a regional aid player-New Zealand.

#### **3.4.1 Chinese Bilateral Aid Programs to Fiji**

##### **3.4.1.1. Grants**

Based on the research I have conducted, Chart4 below demonstrates Chinese aid programs sourcing from current academic research, and also news releases published by Fiji Chinese Embassy and Fijian media reports from 2008 to 2013. Grants in forms of tangible materials including infrastructure projects, vessels, office equipment, and vehicles are far more exceeding than checks giving to Fiji. It could be better understood that tangible materials better show the public that how much Chinese aid have given, and also help to earn enough respect from recipient. However, There is an increasingly tendency that grants-funded programs have diversified covering the area of education and training, infrastructure construction, technical hardware, particularly from 2010 when the proportion of education and training sectors have been raising. According to Brant’s (2013, p.168) interview conducted in 2009 in Fiji with Chinese official stating that “they want to diversify their development”, and the aid programs have identified four main areas of focus: infrastructure and public services; production and technical

services; human resources and capacity enhancement; and funding to regional organizations (Chinese Embassy in Fiji has donated S6.5million for Pacific Island Forum in 2010 and 2011 respectively).

#### **3.4.1.2 Concessional Loans**

The disbursement of China's bilateral aid to Fiji should not be overestimated, despite of the absent official statistics on the total amount of grants and loans. Chart 4 demonstrates that there have been three loan-financed projects, namely Fijian-E government information infrastructure project, the Fiji public Rental Housing Project for low-cost housing Plan and Dreketi-Nabouwalu Highway Project so far. According to Yang's (2010, p.77) study on loan-financed projects, the Fijian government planned US\$20 million and US\$123million (FJ\$260million) from Chinese Export-Import Bank of China for the first two project respectively. In practice, the E-government project has been completed in 2008. The other two projects are still on-going, and echo to Fiji official figures provided by Development Co-operation and Facilitation Division (affiliated with Fiji Prime Ministers Office).

According to the Division (Concessional Loan Projects by the People's Republic of China), the two on-progressing projects, namely the low-cost housing project and the Dreketi-Nabouwalu Highway project are initially funded by EXIM Bank FJ\$70m and FJ\$ 93m. However, the low-cost housing project has halted due to the real cost (which is now Fij\$20 million) is far exceeding than loans financed (which is disbursed FJ\$9million) by the Chinese government. During the meeting with his Chinese counterpart Li Keqiang May 2013, Fiji Prime Minister Bainimarama acquires more financial support for "settle the balance or convert the total amount into a grant"(Fiji PM Remarks 2013,p.2). The three loans-financed projects from 2008 demonstrate that the loan-financed projects are quite modest, probably resulted from a considerably cautious about the economic conditions of Fiji, and also a result of compromises made between Fiji and Chinese government in terms of conditions and terms of loans(Concessional Loan Projects by the People's Republic of China).

In comparison to other regional donors, the total disbursement of Chinese aid is far behind. China ranked fifth far behind Australia, the United States, New Zealand, and Japan. China has disbursed approximately US\$850 million in bilateral aid to the eight Pacific Island countries with established diplomatic relations, according to a research conducted over 2006 to 2011 by the Lowy Institute's Philippa Brant (Hayward Jones, 2013a, p.11). China regards foreign aid as a catalyst for economic growth as means and goals for itself and recipient countries with the notion of "mutual benefit". However, the self-interest nature to support China's own economic development would become dominant by utilizing aid as part of a broader investment package, in particular the combination of commercial activities operated by Chinese state-owned enterprises and state involvement. Fergus Hanson (Hanson 2011, p.7) observes that China's aid giving activities in Fiji demonstrates a clear trend of delivering aid through soft loans for infrastructure projects. This is consistent with what China has actually been doing to provide soft loans. However, this self-interests nature of aid is embedded with Chinese aid-activities. All infrastructure-related projects are contracted to China-based research institutions and companies, most of which are state-owned entities.

In Fiji's case, China Railway No.5 Group, China Railway No.1 Group, and Hunan Construction Engineering Group Corporation are implementing in aid-related projects. Furthermore, in commercial activities, Chinese companies could also win over in the end. China Eximbank funded Nadarivatu hydro dam as a commercial investment, as Brant investigated (2013, p.172), Chinese Embassy in Fiji helped the Chinese state-owned company (Sinohydro) for its application to the contract "to compete with Western companies in the international arena".

Meanwhile, China aid project is not only given to a Chinese state-owned enterprise, but "virtually the entire workforce and supplies are sourced from China" (Yang 2011, p.79). Thus, China's aid often ends up supporting China's own economic development through investment in projects that deliver contracts to Chinese companies and employment to



Chinese nationals. Analysts often point out that this is only a zero-sum game, because Pacific Islanders, who tend to be excluded from opportunities to work on infrastructure projects funded by Chinese grant aid, may not see these projects as partnerships (Hayward-Jones 2013, p.10). However, in Fiji's case, all the infrastructure projects are requested by Fijian military government and also integrate into its economic development plan. In May 2007, Fiji military government under the Prime Minister's Office established an entity-called the Development Cooperation Facilitation Division (DCFD)-to manage and facilitate donors' assistance in which the management of Chinese government obsessional loans and direct grants are prioritized (DCFD 2012).

Interestingly, there are new developments in Fiji's case. It is most likely state enterprises rather than the state deliver development assistance. Thus, companies' commercial interests shape Chinese heavy involvement in this field. Graeme Smith (2013, p.339) makes a compelling argument that it is "Chinese infrastructure companies in the Pacific Islands, not aid agencies in Beijing" that are responsible for driving aid. Furthermore, Chinese funded-aid infrastructure projects are also addressing recipient's demand. With regard to contracted labors, there is a slightly change in recent Dreketi-Nabouwalu Highway projectIn Fiji's case. It has contracted to China Railway No.1 Group which has recruited 1,000 Fijian local labors. At globally level, forty per cent of China's global foreign aid expenditure is for construction projects in which China provides some or all of the financing, services, materials and labors, which are clearly commercial and deliver by a bottom-up rather than top-down approach, contradicting with the argument that China's development assistance is centrally a geo-strategic plan. Additionally, other players within Chinese fragmented aid-system are involved in the form of providing goods and services, and the Chinese Embassy in Fiji usually deliver aid on behalf of donor-entities based on China.

**Chart 3: China' Bilateral Aid Programs to Fiji from 2008 to current**

Time	Projects	Type and Value	Areas of Focus	Players
2008	Navuso Bridge Project	Grants	infrastructure	First Highway Survey & Design Institute of China & China Railway No. 5 (Group)
2008	Fijian E-government website	Concessional loans	information infrastructure	Shanghai Alcatel Lucent
2009	Navua Hospital Project	Grants	high-quality medical and health care	Ministry of Commerce & a feasibility study team
2010	Fiji Government House Fencing Project	Grants	construction	China Railway No.5 Group
2010	office Equipment	Grants—500,000 RMB	office hardware - computers, laptops, printers	The National People's Congress
2010	a Multi-Purpose Fishing Vessel	Grants	transport—for shipping fish and other goods among islands in Fiji	Wuhan Nanhua High Speed Ship Engineering co.,Ltd.
2010	Low-Cost Housing Plan	Concession Loans—F\$70m	infrastructure	China Railway No.1 Group
2010	Scholarship	9 Fijian students	education	
2011	World College Games	Sponsorship for Fijian Delegation	sport	
2011	Industrial Sewing Machines	Grants	machines for women poverty reduction	the International Poverty Reduction Centre of China
2012	Laptop Donation for Fijian Women	Grants	information and technology	Chinese People's Association for Friendship with Foreign Countries
2012	Upgrading Pig Farm of Fijian Prison	Grants=30,000 Fiji	agriculture	Chinese Embassy
2013	Dreketi-Nabouwalu Highway Project	Concession loans—\$220Mloan	infrastructure	EXIM Bank of China—China Railway No.1 Group
2013	donating 20 luxury cars to Fiji	Grants	20 cars	for the Group of 77 meeting of developing nations meetings
2013	Kiuvu Village Seawall Project	Grants—\$2.5 million	infrastructure - preventing flooding	the China Railway No.5 Group
2013	Scholarship	for 25 Fijian students	education	since 2013, quota is 30 including foundation study to PhD.
2013	Civil Servant Training 15 days	for 20 Fijian civil servants	education	Pudong China Executive Leadership Academy
2013	Civil Servant Training	for 25 Fijian civil servants	education	Pudong China Executive Leadership Academy
2013	Somosomo Hydro-Power Station	Grants—\$10 Million	infrastructure	Hunan Construction Engineering Group Corporation
2013	Police Training 21 days	for 15 Fijian policemen	education	Beijing Police College

(Sources from news release published by Fiji Chinese Embassy (2008-2013))

### 3.4.1.3 Military coups and China's responses

The mutual benefit and non-interference norms are regarded as appropriated behaviors embedded with China's aid practices. In rhetoric, those two principles appear consistently in Chinese government official remarks. "Mutual benefit" was uttered in 2012 when then Chinese Vice Minister for Foreign Affairs Cui Tiankai told journalists at the Pacific Islands Forum in Rarotonga stating that "both China and the Pacific Island countries belong to the ranks of developing countries. China's assistance...is in the

framework of south-south cooperation...” (Hayward-Jones 2013, p.20).

“No strings attached” has also constantly expressed in official remarks as then Chinese premier WenJiabao(2006) at the inaugural China-PIC Forum stated, “China stands ready to provide assistance without any political strings attached”. Indeed, in the year following the Fijian2006 coup whentraditional donors abandoned aid assistance to Fiji -New Zealand and Australia felt apart the diplomat relationships, Chinese aid pledges increased seven-fold and stepped in. According the statistics Hanson and Jones provided in their news article *China’s help may harm Fiji* (The Australian 2009) stating that China refused to comment on the domestic political affairs of Fiji. On the one hand, it shows Fijian strategic move under the military government. As Tarte argues (2010, p.124), the deteriorated relations between Fiji and traditional partners, namely Australia and New Zealand, enabled the “Look North strategy” deployed. The coup leader Frank Bainimarama stated “the Look North move was not to replace Australia and New Zealand, but to compensate for what Fiji had lost” and he also expressed confidence that China would always be there to support Fiji (p.125). However, China’s relations with aboutare prioritized to given that economic relations between China and New Zealand have developed closely. Yang(2011,p.78) pointed out that China seems make an effort to be a “responsible player”, and Beijing is more cautious in dealing with military regimes that are in trouble with the west as China told the visiting New Zealand Prime minister John Key that China would play a constructive role in the resolution of the Fiji issue. Thus, when Fijian Prime Minister last year official visit to Beijing, he expressed his willingness for holding a general election in 2014.

### **3.4.2 The Cook Islands**

By examining China’s bilateral aid programsin Fiji from 2008 onwards, China’s aid delivery has been focusing in the field of infrastructure projects, most of which are given to Chinese national companies by using Chinese materials and labors. For the tiny territory of the Cook Islands, it is another interesting empirical case to help justify the

impact of Chinese aid and to explore the possible development model best suitable for recipients.

The Cook Islands has not yet fully independent but a territory in “free association” with New Zealand. Bertil Lintner(2010, p.21) reminds us that it has developed strong relations with China. The biggest and newest buildings in the capital (the court house and a police station) are built with Chinese financed-aid and by workers brought in from China. However, concerns from traditional donors and the local community regarding sustainability of China’s infrastructure projects, debt burdens and lack of flow-on benefits have been certainly raised (Hanson 2009, p.5). In the front, it is said that the infrastructure projects have significant ongoing maintenance costs which exceeds the financial ability of Cook Island government. Hanson(2008,p.17) provides a convincing example that China built a new police headquarters, instead of using a central air-conditioning system, China insisted on using split-unit air conditioners which cost \$US 26,000 a year to run. Another significant concern for China’s bilateral aid in the Cook Islands is the irresponsible lending.

The Cook Islands has its credit rating downgraded by Standard and Poor’s, according to Hanson’s analysis (2011, p.9), reportedly in part because of the loans provided by China for the South Pacific Mini Games. Hanson further explains by citing the Cook Islands responses to its debt burden. The Cook Islands Deputy Prime Minister Sir TereaiMaoate was interviewed by Australian ABC Radio whether the Cook Islands were able to pay the loans back, he said, “we hope New Zealand will be at our aid to assist us with this”. Furthermore, the borrowing is also dependent upon the desires and strategies of recipient government leaders. Brant (2013, p.170) reminds us that the Cook Islands has decided to put a Chinese loan “on hold” due to concerns about taking on more debt and also the willingness to engage with more locals. The loans were for US\$37 million (around 17 per cent of its GDP) for road and water projects.

From donor's perspective, the financial stability of recipients certainly requires the former's consideration, but it could also argue that China is lack of knowledge and enough scrutiny to take the financial suitability of the Cook Islands into consideration. In fact, Chinese officials also appear concerned about the impact of Chinese financed aid. Michael Powles (2010, p.78) argues that Chinese is expressing positive statements on aid cooperation with traditional donors in this region by citing the Chinese ambassador to New Zealand's remarks:

'We [China] want to work together with New Zealand, with Australia, consistent with the Pacific Plan. We are only good in a certain number of areas, like infrastructure, office buildings. Even in those areas we want to work with New Zealand. For example, the Cook Islands people are criticizing us. They say that the court building did not have the right architectural style. Okay, in that area, perhaps we can work on the brick and masonry, or sometimes our money is not enough and we can pool our money.'

During her interview by Radio New Zealand (2013), Philippa Brant (Radio New Zealand) introduced the progress of a trilateral aid program between China, New Zealand and the Cook Islands. She argues that China is genuinely interested in both improving their image in the region, but also learning about how other donors give aid. Based on her recent field trip to Cook Islands, Brant explains to us that this is a unique model, a cooperative project, in the Cook Islands (project which will see the Chinese lay 26 kilometers of pipes and New Zealanders install water treatment facilities). Brant (Radio New Zealand interview 2013) explains:

[it] is there will be between 30 and 40 Chinese workers coming in. They're set to arrive in the next couple of months. And they will be contracted by the Chinese companies that will be implementing their part of the project. And this company has been involved in the islands for a number of years, so well-established.

Brant highlights the Cook Islands government negotiations with the Chinese side leading Chinese workers size down from 70 to between 30 and 40. Thus, the new trends are

that China's part is more concerned about the recipient-Cook Islands' needs. Brant went on to comment:

The Chinese Embassy in Wellington-which they wanted to make sure that any future projects that they're involved in have a positive outcome for the people of the Cook Islands.

According to New Zealand Aid programme, China had offered the Cook Islands a NZ\$32 million concessional loan for the project years earlier. The Cook Islands proposed to involve New Zealand, as a means of improving project effectiveness. New Zealand, which also has a very positive relationship with China (it is the first developed country to have signed a free trade agreement with China), contributed NZ\$15 million towards the cost of the project and the Cook Islands government also contributed (Hayward-Jones 2013b, p.12). The project was signed off at the Pacific Islands Forum in 2012. According to Brant's observation, the Cook Islands government took the big role in managing the project implementation (Radio New Zealand 2013):

'You had a Chinese loan sitting there, and New Zealand was prepared to assist the Cook Islands government by providing some grant funding, which enabled the cooks to set up structures that could better manage the Chinese loans...'

### **3.4.3 Cairns Compact or South-South Cooperation**

China's multi-faceted behaviors in the South Pacific are largely dependent on its dual identities. On the one hand, the developing country identity demonstrates that China would not consider itself as a donor country but limit to a development partner, despite of the fact that China has been providing aid for more than five decades. In the South Pacific, having constructed cooperative relations with New Zealand, China has signed MoU with Australian government early this April 2013. Despite of a slightly trend of China's willingness to cope with regional traditional donors, China has been addressing its identities as a developing country, and thus China's assistance to other developing countries is framed under South-South Cooperation. Then the Chinese vice Minister of

Foreign Affairs Cui Tiankai (New Zealand Herald 2012) told journalists at the Pacific Islands Forum in Rarotonga in 2012 that:

We are here to work with the island countries to achieve sustainable development because both China and the Pacific Island countries belong to the ranks of developing countries. [...] our policy approach and our practice are very different from those of the traditional donor countries. We are ready to exchange views, to compare respective practice and here possible and feasible; we're open to work with them for the benefit to the recipient countries. We are here to be a good partner with the island countries; we are not here to compete with anybody.

In the South Pacific region, China's proactive engagement with traditional donors should not be exaggerated. It has declined to participate in the Cairns Compact on Strengthening Development Co-operation at the 2009 Pacific Islands Forum in Cairns, a regional mechanism akin to Paris Declaration by traditional donor countries. (Hayward-Jones 2013a, p.15).

It demonstrates that China still regards itself as a development country which is still receiving aid from bilateral-multilateral donors. And, the general public back home would not agree that Chinese government prioritize large chunk of aid to recipients other than for domestic development. Thus, the donor-recipient relations are carefully managed under the framework of the South-South cooperation as a development partner other than a donor. Wang Yongqiu (The Australian 2009), the senior Chinese delegate in Cairns, explained China's reluctance to participate in the Compact in a media interview:

'We have different approaches and practices from Western developed countries. We feel it is unnecessary to accept this multilateral co-ordination mechanism, but we need time to study it. China is open and transparent in providing aid.'

Furthermore, China's own development experience with the notion of self-reliance caused by the anarchic international structure has shaped China's understanding of

aid ,which is not a free gift but a means to fulfil self-sufficient. Therefore, concessional loans have been keeping provided dictating China's further engagement with the region particularly in the areas of economic cooperation. In addition to the idea of "self-reliance" towards development, it has seen an economic and commercial motivation embedded with Chinese foreign aid, as the case of the South Pacific and these ideas have been institutionalized through not an independent aid agency but a fragmented aid delivery system in which the Ministry of Commerce and EXIM Bank play a large role.

One the other hand, the rising responsible power identity demonstrates international community's scrutiny and expectations of a rising power, and in turn China's responses to a peaceful rise approach towards international system. This identity has yet been weak meaning that China is in the process of transformation. However, new trends of China's aid behaviors in the South Pacific region need to be drawn attention. First, China has expressed proactive attitudes towards being cooperative with traditional donors and is thus gradually becoming mature in aid delivery. There is a slightly trend of China's willingness to cooperate with regional traditional donors, the Cook Islands and New Zealand have proved that aid cooperation with China is possible. Meanwhile, China has signed a development Cooperation Memorandum of Understanding with Australia last year probably enabling the two countries to cooperate on aid in the field of public health and water resource management (Hayward-Jones 2013, p.16).

Moreover, China is also learning from the traditional donor. As Hanson (2011, p.4) noted, AusAID hosted a training workshop for 17 mid-level officials from the Chinese Ministry of Commerce to discuss Australian best-practice system and approach and potentially could develop into an annual event. Second, there are several signs to show that China is slightly shifting from a self-centered, interested based engagement to addressing demands of recipient countries. For example, the Cook Islands case as analyzed above shows that China is concerning about its regional image and also the sustainability of its



financed-projects. In addition, China has somewhat expanded its cooperation with Fiji to the areas of climate change, marine resources conservation and of helping achieve MDGs goals according to Fijian Chinese Embassy new releases(2012), despite that the real intention still needs to be testified. In a sense, it could be related to China's response to be a responsible power, slightly learning the rules and languages set up by traditional donors.

## Chapter IV Conclusion

This thesis therefore argues that China's align with the international norms remains limited despite that it has adopted a more cooperative stance on aid practices. Indeed, it is a reflection of a paradoxical position China is posing. The victimhood identity originates from a traumatic engagement with the international system, and the developing country identity put emphasis on China's concern on domestic development and also means it has not repaired relations between itself and Western powers. Thus, the two identities have produced distinctive characters of Chinese foreign aid making it differentiated from traditional donors who promote "effective state", "good governance" "rule of law", and democratic "functioning" institution which do not sit well with China's domestic situation (Brant 2010, p.28). In contrast to traditional donors' norms, Chinese aid norms and principles constitutes, namely, "self-reliance" and "self-development", "non-interference" associated with "no political strings attached", and "mutual benefit" which are regarded as appropriate behaviors of victimhood identity and a developing country identity as I have analyzed in previous chapters.

As China has normalized its relations with the international community, particularly western powers, the victimhood identity has been in decline. Furthermore, the responsible rising power identity has been mutually constituted by both agent and structure. On the one hand, China aspires to obtain great power status as its rapid economic growth in recent two decades. However, the international system also has impact on the formation of China's great power identity, pinning high hopes of China being responsible. However, in contrast to the strong identity of a developing country, a responsible rising power identity remains weak. As I have demonstrated in Chapter 2, the aid norms and practices are closely link to the strong developing country identity.

Through further socialization and integration into international system, China's weak identity of being a responsible power has contributed to new trends of Chinese foreign aid in the empirical case study of South Pacific region. The findings demonstrate that

China is more cooperative with traditional donors in terms of learning from their management mechanism, and that it inclines to put emphasis on recipients' needs to improve aid effectiveness ranging from addressing environmental issues in the case of Fiji and the Cook Island, to employing local labors rather than hiring Chinese labors. The best example is provided by the trilateral cooperative program with the collaboration of China, New Zealand and the Cook Islands.

However, China will not transform immediately to be a like-minded western donor. The findings demonstrate that the continuation of China's developing country identity as in practice China is further expanding its relations with Pacific countries going beyond aid relations but deepening its trade, tourism and education relations with the region.

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