CHINA: THE ROGUE DONOR

An analysis of aid allocation policies of an emerging donor

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Abstract

The group of non-traditional bilateral aid donors is growing. Among these non-traditional donors are emerging donors, which can be characterized as countries which are both donor and recipient of aid. Emerging donor’s motives for aid provision are largely disputed. China, among others, is accused of acting out of self-interest, harming sustainable development and supporting rogue states. According to some estimates, China has become the second largest bilateral donor, and it is therefore an important player in the aid landscape. This study is aimed to clarify what China’s aid motives are and how they change over time. An analysis of policy documents and announcements present the official aid motives. An Ordinary Least Squares regression analysis of data provided by AidData (2016) allows for an examination of actual aid allocation. The results indicate that there is a discrepancy between the official and actual aid motives. The results also show that, between 2000 and 2014, China decided which countries would receive aid based on economic and strategic (self) interests. Among those countries which receive aid, the commitment was larger when the population was more in need. Strategic interests became more important over time whereas humanitarian needs became less important. Future research is needed before these results can be generalized and a consensus for all emerging donors can be established.
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1 Introduction

Presumptive Democratic presidential nominee for this year’s American presidential elections, Hillary Clinton, criticized Chinese development activities in 2012 during her trip to Senegal as Secretary of State. She argued for ‘a model of sustainable partnership that adds value, rather than extracts it’ (Clinton, 2012). Hillary Clinton is not the only one to express her opinion about Chinese aid motives. Both in the popular as well as in the scientific literature authors argue that emerging donors are ‘rogue donors’, which support ‘rogue states’ and act more out of self-interest than out of need for assistance in recipient countries (Nafim 2009; Manning 2006; Dreher & Fuchs 2012).

Countries may be giving development assistance for several reasons. Motives for aid provision are widely discussed in the literature. However, the literature is mainly focused on the traditional North-South aid, provided by the members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). But with the on-going redistribution of world power, growing nations with developing economies are strengthening their position in the global order through different channels, such as foreign aid. Over the last decade, foreign assistance from non-Western governments has expanded both in absolute terms and as a share of worldwide development finance (AidData, 2015).

Emerging countries are becoming more important in the aid landscape, and at the same time they are accused of being a rogue donor. It is important that the rogue donor debate is clarified, and aid motives of emerging donors become known. Only then, the global development community knows whether emerging donors are harming or supporting development. This study aims to contribute to the establishment of consensus around aid motives of emerging donors, something which is still lacking in the existing literature. This is done through a case study on China, because China is seen as the head of the emerging donors and very few is known about its motives. Also, China’s foreign policies are becoming more relevant for the rest of the world since China is becoming increasingly important in the political and economic world order.

Only recently, scholars have started to analyse aid which is allocated by new donors (Neumayer 2003, 2004, Dreher et al. 2011). This research is difficult, because these countries are not constrained to rules with respect to data publication or the conditions of the assistance. Previous research has shown that foreign policy interests and the level of development in the recipient country are China’s main reasons to provide aid to African countries (Dreher et al.,
This study contributes to the existing literature by including recent data for 2013 and 2014, and by including non-African developing countries. This is important since non-African recipients take up between half and two thirds of Chinese development finance, and aid may be targeted differently to other continents (Brautigam, 2011). In order to contribute even more, this study will also look at the changes in aid determinants of China’s allocation policies over time. This is relevant since changes are likely to occur every five years, because of the Five Year Plans which determine China’s national strategy. Hence, the research question for this study is: What are China’s motives for aid allocation and how did they change between 2000 and 2014?

Policies are dynamic and always changing, planned policies may ultimately not be executed. Or, in the case of a government which is not transparent, actual aid motives may be hidden. An analysis limited to policy documents may therefore not be sufficiently accurate to answer the research question. Government documents and announcements are analysed since these should present the official aid motives. A regression analysis of a dataset for all recipient countries between 2000 and 2014, needs to show what China’s actual motives for aid provision are. This research will in this way also contribute to the small number of empirical studies done in this field. Pluralism, globalism and realism present three different types of motives for foreign development assistance, respectively humanitarian motives, economic motives and strategic motives. These three categories are used to categorize findings in the policy and data analysis.

To conclude, the objective of this research is to contribute to the establishment of a consensus around aid motives of emerging countries, through the identification of aid motives of China, and the examination of possible changes over time.

This study starts with a literature review, which describes what has been done before and determines the gap in the existing literature. The third chapter presents and motivates the case study. Next, the theoretical framework presents three paradigms which are used as a tool to categorize aid motives in the analysis. The analysis of policy documents and announcements in the fifth chapter shows what the official aid motive of China is. After that, the empirical analysis will let the data speak, to see which factors have influenced aid allocation decisions. The last chapter draws a conclusion on both analyses, and describes whether the empirical analysis found evidence for the aid allocation motives as announced in the policy documents and announcements.
2 Literature Review

This chapter will give an overview of the aid literature, particularly of the literature regarding emerging donors and aid determinants.

2.1 History of aid research

Scientists have paid attention to foreign aid since the mid-1950s. The established literature regarding this topic broadly consists of two strands. Most of the literature is concerned with the effectiveness of aid, and its effect on economic growth in recipient countries (Burnside & Dollar 2000; World Bank 1998). Some of the evidence contradicts the existence of a positive relation between aid and growth (Boone, 1994; White, 1992 among others), while others found evidence which confirms it (Hanushek & Wößmann, 2007; Bloom, Canning & Sevilla, 2004; Lensink & White, 2001). Despite the meta-analysis by Doucouliagos and Paldam (2007) which indicates that aid has not led to macroeconomic growth over the past 40 year, researchers keep discussing this topic.

The second strand of the literature is concerned with the determinants of aid allocation, and bilateral aid in particular. These studies aim to explain aid allocation as a function of characteristics of the donor and the recipient (Bermeo 2010; Claessens et al. 2009; Collier & Dollar 2002; Cooray & Shahiduzzaman 2004; Dollar & Levin 2006; Easterly 2007; Martinez & Winters 2015 among others). Characteristics of the recipient implies the relation between aid and humanitarian needs, quality of policies and institutions, natural resources, political freedom or other features. With respect to the relation between aid and donor characteristics, it is often about characteristics such as donor self-interest, commercial links or geopolitical importance (Alesina & Dollar 2000; Berthélem & Tichit 2002; McKinlay & Little 1979; among others). In the existing literature, the consensus is that bilateral aid allocation has since the 1970s been determined by donor interests and recipient needs (Alesina & Dollar 2000; Berthemely & Tichet 2002; Dreher et al. 2015 among others).

2.2 Emerging donors

According to the literature, bilateral aid allocation policies are shaped by donor interests and recipient needs\(^1\). The applicability of this consensus is problematic. Only the OECD-DAC donors are required to report about their operations, because of the DAC recommendations\(^2\). Limited data is available for other bilateral donors because this group is not obliged to report

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\(^1\) Bilateral aid is provided by a single country to a single country. In contrast, multilateral aid is provided by governments but channelled through institutions like United Nations’ agencies.

\(^2\) These are internationally-agreed policy guidelines and suggestions from the OECD-DAC.
about its activities. As a consequence, little empirical research has been done on aid activities of this group of countries.

All countries on which the consensus does not apply can be called non-DAC donors. The chairman of the OECD-DAC, Richard Manning (2006) divided this group of countries into four sub groups. The first group consists of OECD countries, which are not members of DAC. The second group consists of relatively new member countries of the European Union without OECD membership, and therefore without DAC membership. The third group consists of Middle Eastern and OPEC countries, a cohesive group with harmonised policies. Countries which do not fall into any of these groups are described by Manning (2006) as ‘emerging donors’. This group, in which countries are often both donor and recipients of aid, has specifically been of interest in the recent past. South Africa, Russia, China and India are examples of such emerging donors. The OECD-DAC calls this group ‘providers of South-South cooperation’.

DAC and non-DAC donors differ not only with respect to their DAC membership. The different types of donors vary in the way they design projects, organize supervision and deliver aid. For example, Middle Eastern countries provide almost all aid on untied basis, in contrast to other bilateral donors (Manning, 2006). In addition, non-DAC donors tend to extensively use project aid in contrast to DAC donors (Kragelund, 2010). OECD-DAC has shifted towards social sectors and primary education, whereas the Chinese emphasise infrastructure, productive activities and university scholarships (Brautigam, 2011).

2.3 Aid determinants

Differences in motives for aid provision between DAC and non-DAC donors have particularly been disputed in the literature. The publication by Moises Naím (2007) and the speech by Richard Manning (2006) have kick-started this debate. Naím (2007) argued that undemocratic regimes undermine development policy through their own aid programs. These programs are said to harm average citizens and place a threat to global sustainable development. In addition, Ngaire Woods (2008) stated that most of these donors are looking for energy security, natural resources, high economic growth rates, new trading opportunities and economic partnerships. This debate will be discussed extensively in the next chapter, but it is important to note that the accusations and the defensive statements made are hardly backed by empirical evidence, due to the lack of data. It is therefore difficult to validate or

3 Strictly speaking, this group of donors is re-emerging rather than emerging. China for example, was engaged in the largest aid projects of the 1960s and 1970s in Africa (Manning, 2006).
counter the accusations made in this debate. The database of AidData (2015) has made this easier, and this study will thankfully use this dataset to contribute to the literature by filling (part of) this gap⁴. Because of the lack of data, the number of studies that researched aid determinants of non-DAC countries is very low compared to aid determinants of OECD-DAC countries.

Dreher et al. (2011) used the database of AidData and found that behaviour of non-DAC donors is similar to DAC donors. Both types of donors, for example, largely ignore corruption in the recipient country. So, both types of donors could harm sustainable development by shaping aid allocation based on commercial interests.

Besides this one general study, the existing empirical literature on aid determinants of non-DAC donors only consist of four case studies; one on Central and Eastern Europe, one on India, one on Korea and two on China. This illustrates the low level of attention which has been received by the emerging donors, where Korea, India and China belong.

The case study on Central and East European countries was undertaken by Balázs Szent-Iványi (2011) who found that aid allocation was dependent on economic and political interests⁵. For Korea, Kye Woo Lee (2012) surprisingly found that aid allocation between 2004 and 2008 was not determined by socio-economic development and poverty-reduction objectives, or by strategic and commercial interests. For India, Andreas Fuchs and Krishna Vadlamannati (2012) found that between 2008 and 2010, commercial and political self-interests have dominated India’s aid allocation⁶. Moreover, the importance of political interests was significantly larger for India than for all DAC donors.

While for Korea, India and Central and Eastern Europe the results are mixed, the two case studies on China consistently conclude that the term ‘rogue donor’ is largely unjustified. Dreher and Fuchs (2012) find that between 1996 and 2006 Chinese aid allocations to 132 recipient countries was not dependent on natural resources, democracy and governance. Rather, aid allocation was determined by political interests, though not more than for ‘traditional’ OECD countries (Dreher & Fuchs, 2012). In addition, Axel Dreher et al. (2015) continued research on China, by studying aid allocation between 2000 and 2012 to African

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⁴ AidData is an agency gathering all relevant data on aid.
⁵ Important factors in aid allocation for Czech Republic, Hungary, Poland, and Slovakia between 2001 and 2008 were geographic proximity, historical ties and so called international obligations.
⁶ The authors undertook an Ordinary Least Squares regression using data by AidData (2015) for the dependent variable.
countries\textsuperscript{7}. They found that Chinese aid directed to Africa was linked to foreign policy interests but not to natural resources, institutional quality or regime type.

To conclude, this study will contribute to the establishment of a consensus on aid motives of emerging donors. It will do so through an empirical analysis of a dataset, which does not only range to 2012 but to 2014, and which does not only include African countries but all recipient countries. The methodology is new in the literature of emerging donors in three respects. Firstly, aid allocation decision-making is split up in two stages, one in which the donor decides to provide aid to a developing country, and one in which the donor decides how large this aid commitment is going to be. Secondly, this study also explores changes in the importance of aid determinants. Thirdly, these aid determinants follow from three theories, which have been used before in the DAC aid allocation literature but not in the literature for emerging donors. More about the methodology follows in chapter four and five.

\textsuperscript{7}The authors used an Ordinary Least Squares regression to analyse aid allocation data provided by AidData (2015).
3 Case Study: China

This chapter brings forward three reasons why the People’s Republic of China is chosen as the case study for this research. The second section provides a brief history of Chinese aid allocation.

3.1 Motivation

3.1.1 The head of the group

This research is focused on the People’s Republic of China (henceforth ‘China’) because of a number of reasons. Firstly, China is at the head of the group of emerging donors. Despite the lack of clear data or global definitions, estimates show that China is the largest among the emerging donors in terms of the size of aid outflow. Its outflow ranges between 1.5 and 25 billion USD a year (Walz & Ramachandran, 2010). According to lower estimates, China equals Finland or Austria in terms of aid outflow (Walz & Ramachandran, 2010). But when the upper estimates are accurate, China is the second largest donor after the United States and reaches the UN target of 0.7% GNI, a benchmark which is only reached by six of the DAC countries (Walz & Ramachandran, 2010). In both cases, the absolute size of aid provision makes China an outstanding case for research.

3.1.2 China, a rogue donor?

‘Rogue aid providers couldn’t care less about the long-term well-being of the population of the countries they “aid.”’

-Moises Naim (2009, p.3)

The second and most important reason for this study to be focused on China is the country’s role in the ‘rogue donor’ debate. China is often portrayed as the chief villain of the rogue donors. China has good relations with countries which are infamous for human rights conditions and violent conflicts, such as Sudan and Zimbabwe. China is blamed for not getting involved in politics of these recipient countries (Brautigam, 2011). In contrast, evidence shows that China does not blindly support rogue states. After receiving concerns from other African states, China has been tougher on President Mugabe in Zimbabwe; it has met with opposition politicians and turned around arms shipment (Woods, 2008).

With its growing population and economy, China is looking for opportunities to gain natural resources, export markets and investment opportunities. China is often accused of using its foreign assistance to satisfy its own (economic) needs in return (Alden 2005; Davies 2007; Naim 2007, among others). The vice director of China’s Ministry of Commerce denies

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8 For example, China has long provided aid and military equipment to the regime in Zimbabwe, and it has vetoed a UN Security Council resolution to impose sanctions on Zimbabwe (Alden, 2007).
these accusations and the vice director of China’s Ministry of Commerce stressed that ‘it is extremely irresponsible and groundless to criticize China for grabbing resources and markets in Africa’ (Ministry of Commerce, 2014b p.1).

China is not only accused of using aid for economic interests, but also for strategic interests. Taiwan and China are in competition, and foreign aid also plays a role here. Taiwan uses its huge foreign exchange reserves for international relations, to gain international legitimacy and recognition (Taylor, 1998). The People’s Republic of China’s state constitution asserts that Beijing is the legitimate government of Taiwan. Beijing, on its behalf, uses foreign aid to realize its ‘One-China policy’ (Taylor, 1998). Also, China has provided aid to African countries in return for support in the United Nations commission of Human Rights⁹ (Lammers, 2007).

China’s aid activities are said to harm sustainable development and undermine improvements that have been made regarding health, safety, environmental standards and corruption in developing countries (Walz & Ramachandran, 2010; Woods, 2008; Naím 2009). In contrast, Brautigam (2011) argues that Chinese aid could be beneficial in areas which have been neglected by the OECD in recent years. Also, evidence shows that countries with intensified aid and trade links with China are enjoying higher growth rates, better terms of trade, increased export volumes and higher public revenues (Reisen, 2007). Also, Sino-African cooperation could be a win-win situation when it benefits development of both parties involved. The ‘Western’ aid burden is shared, it may contribute to South-South cooperation and a new, more equal, world order is established (He, 2006).

With the hegemonic position of the U.S. government and the World Bank, respectively chairs of the bilateral and multilateral donors, ‘Western’ criticism cannot come as a surprise. Western donors may feel threatened because of the promotion of the Chinese economic model as an alternative for the ‘Western’ economic model for development. China’s search for natural resources is seen as a threat to industrialised countries’ access to Africa’s natural resources, or as a threat to economic interests of the United States (The Economist, 2007).

Existing empirical studies did not find evidence for a bias of China’s aid towards countries with abundant natural resources (Dreher et al., 2015). On the other hand, Dreher and Fuchs (2012) found that aid allocation is determined by commercial interests, as well as

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⁹ China relied on African countries to remain silent or be supportive of China’s Tibet policy in order to prevent discussions or other sanctions (Sun, 2014)
humanitarian needs and foreign policy. Political considerations are not more important in China’s aid allocation policies than policies of DAC donors (Dreher & Fuchs, 2012). Clearly, more careful analysis on China’s reputation as rogue donor is necessary. The empirical analysis of this study will contribute to existing debate about China’s reputation. This debate can only be brought further if the accusations made are supported by empirics. After all, actions speak louder than intentions or accusations.

3.1.3 Data availability

Many of the emerging countries do not have a reporting system for aid statistics which is used by the different institutions involved in development cooperation. Moreover, some countries decide not to disclose data despite possibilities to do so (OECD, 2010). Countries might fear that aid provision would make them ineligible to receive aid themselves, or fear to be forced to explain why the funds are not spent domestically. Others are concerned that reporting on the basis of the ODA definition requires them to commit to DAC recommendations and principles (OECD, 2010).

China’s government is not transparent compared to other world powers. For example, only three of nine laws passed or amended in 2014 by the National People’s Congress were posted for public comment.\(^{10}\) (The US-China Business Council, 2015). As a consequence, data on aid allocations of emerging donors is very scarce. Fortunately, AidData established a collaborative platform to make information about Chinese development finance flows more accessible and usable, it is important to use it to bring the debate on emerging donors further. Since China is the only emerging donor for which data is recorded, the dataset of AidData only allows for an empirical analysis of the ‘chief villain’ of the rogue donors.

3.2 History of Chinese aid provision

3.2.1 Net donor period: 1949-1970s

China’s first act as a donor was in 1949 when it committed itself to an aid programme for the first time. Hence, China is not an ‘emerging’ donor in the true sense of the word. Between 1949 and the 1970s China was a net donor, with aid outflows larger than an average DAC donor. After an ideological conflict between China and the USSR, incoming aid got suspended and China became internationally isolated. This situation led to an unpleasant feeling of dependency on aid (Kobayashi, 2008). China started to provide aid to countries other than socialist neighbouring countries, in order to make relations with other countries

\(^{10}\) Transparency is here defined as the openness of government decision-making, the public availability of information, and the solicitation of broad public feedback during the drafting of new laws and regulations.
warmer and to get out of the isolation.

These events shaped aid policy around concepts of ‘economic self-reliance’ and relations of ‘mutual benefit’ between the donor and the recipient. This led to the announcement of the Eight Principles for China’s Foreign Aid by Premier Zhou Enlai, which would remain influential to date\textsuperscript{11} (Zhang, 1996).

3.2.2 Net recipient period: 1978-1995
The reforms and opening up policies established by President Deng Xiaoping allowed for acceptance of incoming aid from Japan and other DAC members, for the purpose of domestic development. The market based reforms required a different resource allocation, but diplomatic relations and China’s leading position in the developing world had to be protected as well. As a result, the outflow of foreign aid decreased but it was not held back completely. Since incoming aid flows kept increasing, and aid spending decreased, China became a net recipient (Kobayashi, 2008).

3.2.3 Emerging donor period: 1995-present
Economic problems in donor countries after the Cold War led to a decrease in incoming aid volumes. Domestic growth as a result of the economic reforms made the Chinese donor community realise that the need for aid inflow had reduced (Kobayashi, 2008). However, the need for external relations based on a broader vision had increased (Jin, 2004). Important reforms in aid policies changed the objectives of foreign aid remarkably. A combined strategy of trade and investment got promoted with the purpose to expand overseas operations while taking the principles of self-reliance and mutual benefit into account (Jin, 2004; Zhang, 1996). Again, China can now be considered as one of the largest bilateral donors (Kobayashi, 2008).

\textsuperscript{11} Principle (1) concerns equality and mutual benefit, aid is not a unilateral gift but of mutual nature; principle (2) is about respect for sovereignty of the recipient countries; principle (3) concerns the financing conditions, repayment periods should be long and interest rates should be low; principle (4) concerns self-reliance, recipient countries should not become dependent on China but they should become independent; principle (5) states that aid projects involve small amounts of investments and have immediate effects, it will help the recipient countries to increase their revenues and to accumulate capital; principle (6) implies the provision of the finest quality equipment and materials China can produce at international market prices; principle (7) addresses technical assistance and guarantees that engineers in the recipient countries will completely master technical expertise and skills; and principle (8) concerns the treatment of Chinese experts abroad, which should be the same as the treatment of local experts (Zhang, 1996).
4 Theoretical Framework

This chapter presents the perspective of three different theories on the topic of aid allocation. Aid allocation is in the literature generally studied in the context of three paradigms of international relations: realism, globalism and pluralism (Rioux, 2006). Each of the three theories explain aid provision in a different way, respectively by humanitarian, economic and strategic motives. These theories are used as a tool to categorize findings in the policy and data analysis.

4.1 Pluralism

According to pluralists, the agenda of international politics is extensive. Pluralists believe that economic and social issues have a direct bearing on the security and welfare. National security issues are important, but economic, social and ecological issues might just be as important (Viotti & Kauppi, 1998). Some pluralists are explicitly concerned with problems of the Third World, such as famine. Pluralists are relatively positive about the motives for aid provision. Donor interests are not completely dismissed, but transnational humanitarian concerns are the key motive. According to pluralists, aid should be directed to countries which need it the most (Rioux, 2006).

4.2 Globalism

Globalism is based on neo-Marxist assumptions, although not all globalists are Marxists. In understanding world politics it emphasizes the importance of economy, and dominant and exploitative capitalist relations (Viotti & Kauppi, 1998). Globalists argue that aid is provided based on economic interests and the pervasive role of economic wealth. Aid is aimed to widen economic inequalities between rich and poor, and it reflects the function of transnational capital, they argue. Aid facilitates the exploitation by elites within industrialized states (Rioux & Van Belle, 2005). These industrialized states use aid to gain influence in recipient countries and to make them adopt export oriented growth strategies. These strategies would make donor countries, and other industrialized countries better off (Wood, 1986). The economic self-interested motive may manifest in ‘trinity style’ in which external assistance is provided in combination with a market mechanism, such as trade and investment, which returns all earnings of the factors of production provided as inputs by aid.
4.3 Realism

Realism is one of the main theories in the international relations discipline. Realists believe that international politics is about aiming for power, and survival of the state (Morgenthau, 1960). National security is the top priority of the state, and the state aims to maximize national interests (Viotti & Kauppi, 1998).

Within realism, aid provision can only be explained as an act which supports the struggle for power. Aid is not provided based on the idealistic idea of economic development of underdeveloped states. Foreign assistance which would benefit the recipient more than the donor would be irrational and unthinkable. Aid is provided as a tool in the struggle for international relative power, contributing to preferences of the donor (Rioux & Van Belle, 2005). Only countries with which strategic alliances can be formed will receive aid (Rioux, 2006). Aid has become a diplomatic tool, and the price to be paid for soft power12.

12 Soft power is here defined as the ability to persuade rather than coerce.
5 Policy analysis and hypotheses

Empirics can play an important role in overcoming the lack of transparency of China’s aid program. But before turning to the empirical analysis, governmental aid policy documents are analysed. These documents bring forward China’s foreign aid policies, and present the official aid motives. The relevant documents are respectively China’s Five Year plans\(^\text{13}\), policy announcements of the State Council\(^\text{14}\), international declarations and policy announcements of the Ministry of Commerce and Ministry of Finance\(^\text{15}\). The findings will lead to hypotheses for China’s aid motives which can be tested for in the empirical analysis.

5.1 Five Year Plans

Since 1953, China has implemented a series of Five Year Plans as periodic blueprint for national economic development. These plans are the main indicators of changes in (domestic) development philosophy. Since they are mainly focused on national goals, direct references to foreign assistance are rarely explicitly made. The Tenth, Eleventh and Twelfth Five Year Plan are most relevant for this research since they cover the years 2000-2015.

The highest national goal in the Tenth Five year Plan (2001-2005) was ‘development’. This had to be achieved by ‘going global’, through outward investments with the purpose to expand international economic and technological cooperation (Zhang, 2013). International cooperation had to support overseas exploitation of scarce resources. In addition, going global had to contribute to the production of offshore oil as a national strategy (Kobayashi, 2008).

The Eleventh Five Year plan (2006-2010) continues on this path, but the link between the global strategy and the resource strategy was clearer manifested. To illustrate, ensuring economic security was the main goal of these five years (Kobayashi, 2008). Cooperative development of overseas resources was based on the principles of complementary strengths, equality and mutual benefits. Overseas project contracting was encouraged, and overseas investments and state-owned assets were better supervised (Zhang, 2013). As a result, Chinese government leaders negotiated with developing countries with rich natural resource endowment about Chinese investment projects (Kobayashi, 2008).

The Twelfth Five Year Plan (2011-2015) strengthened cooperation with both emerging markets and developing countries and encouraged others to enhance South-South cooperation. The number of foreign aid projects with humanitarian purposes got increased.

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\(^{13}\) China’s national goals are determined in the ‘Five-Year Plan’, the highest-level document.

\(^{14}\) Major aid policy decisions are made by the State Council (Lancaster, 2007).

\(^{15}\) Chinese bilateral aid allocation is primarily the responsibility of the Ministry of Commerce, and the Ministry of Finance is in charge of multilateral aid allocation.
Friendly relationships and pragmatic cooperation with neighbouring countries had to lead to (domestic) prosperity and peace (Communist Party of China, 2010).

So, the national blueprints clearly indicate a relation between foreign economic policies and natural resources. The Five Year Plans indicate the attempt to achieve natural resource security through investment and cooperation, possibly through aid. Also the humanitarian motivation is important; it got explicitly mentioned as an important factor between 2011 and 2015.

5.2 The State Council

China’s government has only published two official policy papers on foreign aid. Both policy documents stress the primary objective of foreign assistance, poverty reduction and the improvement of livelihood of people in developing countries (State Council 2011; 2014). The policy papers clearly indicate the humanitarian motivation for aid provision. China aims to improve disaster prevention and relief capacity, 80% of the recipients of China’s foreign aid are low-income developing countries and they aim to reach as many needy people as possible (State Council 2011; 2014). Looking back at China’s foreign aid history, the premier of the State council Wen Jiaba said ‘we have, in an internationalist and humanitarian spirit, provided sincere and selfless assistance in multiple forms to other developing countries to the best of our ability’ (United Nations, 2010, p.2).

The State council also seems to have self-interested motives for aid provision. The first white paper promotes exports to China; ‘China has worked consistently to create conditions for developing countries to increase their exports to China through tariff relief and other measures’ (United Nations, 2010, p.3). Through export growth, the recipient may become economically dependent on China, which could benefit China’s economy. Moreover, another statement by the State Council referred to the importance of the principles of mutual benefit and win-win cooperation, and stressed the importance of safeguarding national interests through orderly and rational allocation of outward investment (State Council, 2006).

5.3 International Declarations

There are two documents to which providers of South-South cooperation themselves often point to when it comes to aid allocation policies. The first one is the Declaration on the Promotion of World Peace and Cooperation\(^\text{16}\), which was mainly about the relation of mutual respect, cooperation and economic independence (Ministry of Foreign Affairs Republic of

\(^{16}\) This declaration was agreed upon by 29 African and Asian countries at the Bandung Conference in 1955.
Indonesia, 1955). In the one direct reference to foreign assistance in this document, countries committed themselves to the provision of technical assistance to one another ‘in the maximum extent practicable’ (Ministry of Foreign Affairs Indonesia Republic of Indonesia, 1955). Other principles in the declaration which could indirectly link to foreign aid underwrite ‘promotion of mutual interest’, ‘respect for international obligations’, ‘respect or fundamental human rights’ (Ministry of Foreign Affairs Indonesia Republic of Indonesia, 1955, p. 9). This was the first international forum in which China committed itself to foreign assistance in front of other nations. This declaration hints towards a feeling of responsibility and obligation ‘to help the other’, humanitarian motives for foreign aid.

Another document to which providers of South-South co-operation point to is the Buenos Aires Plan of Action for Promoting and Implementing Technical Co-operation among Developing Countries (TCDC)17. One of the objectives for this plan was ‘to promote and strengthen collective self-reliance among developing countries’ (United Nations, 1978, p. 6). This contradicts the theory of globalism, in which aid is given out of economic self-interest and will lead to economic dependence of the recipient. It is, however, also difficult to categorize this objective as either realist or pluralist.

5.4 Ministry of Commerce and Ministry of Finance

Ministerial announcements and documents indicate that for both ministries the three motives for aid provision play a role in decision making. With respect to the economic determinants, it is in the first place remarkable that the head agency for bilateral aid provision is also responsible for trade and investment policies (Lammers, 2007). Trade policies are therefore likely to get entangled with aid policies. The Ministry of Commerce, for example, implemented zero-tariff schemes for most imported goods from ‘relevant’ developing countries, with the purpose to expand exports to China and develop industries abroad (Ziying, 2011b). This is consistent with the more general win-win and mutual benefits principles on which China’s foreign policies are based. When President Xi Jinping in 2014 proposed to build the ‘one belt one road’ path with Arab countries, he also referred to these principles18 (Jinping, 2014). In order to establish this path, China strives to promote the development of a free trade area, to double bilateral trade with Arab states and to increase non-financial investment six fold in 10 years (Ministry of Foreign Affairs, 2014).

17 This action plan got adopted by the United Nations General Assembly in 1978.
18 The president announced this in his speech at the Sixth Ministerial Conference of the China-Arab States Cooperation Forum.
At the same time, China will continue to provide assistance through bilateral and multilateral channels according to the needs of Arab states with the purpose to improve self-development capabilities and people’s livelihood (Ministry of Foreign Affairs, 2016). Looking back at Chinese aid history, the vice director of the ministry of commerce said ‘people witnessed our continuous foreign assistance out of humanitarianism’ (Ministry of Commerce, 2014b p.1). This humanitarianism does not only apply on Africa or the Middle East, but also on Asian countries and Latin American countries (Ministry of Commerce, 2014c). To illustrate, China has recently provided 1 million USD as emergency humanitarian assistance to the government of Surinam in order to ‘express the Chinese government and its people’s affection to the government and the people of Surinam and to help them combat zika virus’ (Ministry of Commerce 2016b, p. 1).

The expression of affection as a motive for foreign assistance might raise some suspicion since strategic motives for aid provision are not unusual. The Ministry of Commerce (1996) openly admitted that grants are used to coordinate diplomatic work and that construction of some public institutions produced great political influences. The State Council (2011, p. 3) has denied strategic self-interest accusations by stating that ‘China never uses foreign aid as a means to seek political privileges for itself’. However, looking at the quote below it might very well be that the attitude towards Taiwan has played a significant role in the establishment of the friendly relationships with Arab countries. This indicates a clear strategic motive, and confirms the statement made earlier by Taylor (1998) regarding the One-China policy.

‘Arab states and regional organizations have always been committed to the one China principle, refrained from having any official relations or official exchanges with Taiwan, and supported China in peaceful development of cross-Straits relations and the great cause of national reunification. China appreciates all these.’ - Arab Policy Paper, 2016, p.3

5.5 Hypotheses

Evidence for humanitarian motives for aid provision can be found in the Five Year Plans, policy papers by the State Council, international declarations and ministerial announcements. It is therefore likely that the empirical analyses finds evidence for humanitarian aid determinants in China’s aid commitments. Based on the Five Year plans, humanitarian motives are expected to be especially important between 2011 and 2015.

Moreover, from all types of policy papers it follows that it is likely that at least some of China’s aid is provided in order to get some economic benefits in return. China is
expanding its international economic strategy, and its domestic needs for natural resources become larger as the population and economy grows. One could therefore expect that the empirical analysis finds that economic interests do play a role, which becomes more important over time.

For strategic aid determinants it is harder to find evidence, especially non-economic ones. But at least two hints in the direction of strategic motives have been found. Based on the policy documents one could expect that strategic interests are less important than humanitarian and economic motives. Important to keep in mind here is the fact that the Chinese government might be less open to the outside world about its strategic motives, compared to humanitarian motives. This could explain the lack of evidence in the policy documents. Based on these findings the hypotheses for the empirical analysis are the following:

Hypothesis 1a: The most important determinant for China’s foreign aid allocation is the level of development and the need for aid in the recipient country.
Hypothesis 1b: Humanitarian motives become more important over time.

Hypothesis 2a: China is willing to provide more aid to countries which can contribute to China’s economy through trade or natural resources.
Hypothesis 2b: Economic interests become more important over time.

Hypothesis 3a: Strategic motives do play a role in China’s aid allocation but a smaller one than the humanitarian and economic motives.
Hypothesis 3b: Strategic motives did not become more or less important over time.

These hypotheses will be tested in the empirical analysis in the next section. Scholars have shown that the three theories, on which the foreign policy motives are based, are not mutually exclusive in explaining foreign aid allocation policies (Rioux, 2006). It could therefore not be expected that the hypotheses are mutually exclusive.
6 Empirical framework

This chapter describes which empirical model will be used to analyse the aid motives of China, and to test the hypotheses. The first section gives a detailed description of the structure of the model, and the second section will further specify the particular dependent and independent variables. Table B and C are complementary, they present summary statistics and information about the variables.

6.1 Empirical model

With respect to different methodologies for the analysis of aid flows there are two generations of aid allocation studies in the literature. The first generation uses two different models, of which one estimates the relation between aid and recipient’s needs and the other model estimates the relation between aid and donor interests. However, recipient’s needs and donor interests affect aid allocation in a different way and separating the two in this way leads to omitted variable bias and misspecification (McGillivray, 2003). The second generation prevents this by including both donor interests and recipient’s need as explanatory variables with other possible aid determinants into the same specification. The model in this study follows from the second generation in the literature.

This study aims to analyse the relation between recipient characteristics and China’s aid outflow. Aid allocation policies can be analysed by regressing aid determinants on aid flows. The aid determinants of this study follow from the theoretical framework. The three theories explain foreign aid by humanitarian motives, economic motives and strategic motives. Hence, in this study are these three types of motives regressed on China’s aid outflows. The regression is estimated using Ordinary Least Squares (OLS), because OLS coefficients are relatively easy to interpret. This type of regression has been used in the same way by similar studies (Burnside and Dollar 2000; Claessens et al. 2009; Dreher et al. 2015; Martinez & Winters 2015 among others).

6.2 Dependent variable

This study analyses China’s aid allocation decision making process. Aid commitments reflect the intention of the donor to provide aid. Commitments are focused on the donor side and may reveal aid targeting polices19 (OECD, 2016b). Aid commitments are therefore a suitable candidate for the dependent variable in the OLS regression. China’s aid commitment data

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19 The alternative for aid commitments are disbursements. Aid disbursements show actual payments in each year, and the realisation of donors’ intentions and policies. Disbursements describe aid flows from the point of view of the recipient. Since this study analyses aid flows from the donor point of view and the targeting of resources to specific purposes, the best candidate for the dependent variable is aid commitments. Also, aid disbursements tend to reflect allocation policies with noise.
used here comes from an agency called AidData, which records aid commitments on project level. AidData has publicized cross sectional and time series data for ‘ODA-like’ flows\(^\text{20}\) from China to all recipient countries between 2000 and 2014 in constant 2009 USD. This means that the dependent variable is the amount of aid which China committed to provide for a project in a given year. While the actual payment may be spread over the duration of the project, the moment at which the assistance is committed is recorded in the dataset. This variable has a skewed distribution, and this is controlled for by taking the logarithm of the aid commitments. Since this study is focused on developing countries, developed countries are left out of the dataset\(^\text{21}\).

The decision to commit aid to a developing country consists of roughly two stages. Firstly, China needs to decide to commit aid to a certain development project. After that, policy makers will decide how large the support for the project is. The first stage of the decision is here referred to as the yes/no-decision, and the second stage is the size-decision. Running the regression on all aid commitment observations in the dataset (both zero and nonzero) allows for an analysis of yes/no-decision, since the dataset includes observations of countries who did and did not receive aid from China. Running the regression on only nonzero aid commitment observations allows for an analysis of the size-decision, since such an observation implies a positive yes/no-decision. By distinguishing between these two stages of decision making, the results for China’s motives for aid provision can be further specified.

6.3 Independent variables

This study aims to analyse which characteristics of the recipient country are important in China’s aid allocation process. More specifically, it aims to find evidence for humanitarian, economic or strategic motives for aid provision. All three motives are represented by multiple indicators, which are used as independent variable in the OLS regression. These indicators are the variables of interest in this part of the analysis. A significant coefficient estimate for such an indicator means that this indicator has played a role in the decision making process in the given time period. The more indicators for either of the motives are significant, the more evidence is found for the particular aid motive and the more likely it is that China’s aid allocation policies can be explained by either of the theories.

\(^{20}\) This is called ODA-like because it is similar to the ‘real’ OECD-DAC ODA flow. An ODA flow is official finance which has the objective to promote welfare and economic development, and includes debt relief, in-kind contributions, grant, and interests-free loans (AidData, 2016).

\(^{21}\) Countries with a GDP per capita level higher than USD 12.195 in 2009 are left out (World Bank, 2016b).
6.3.1 Humanitarian motive

According to pluralism, aid is only provided by states because of humanitarian reasons. In the empirical model of this study is the humanitarian motive for aid provision indicated by three variables. The need for aid in the recipient country is in most studies in aid allocation literature proxied by income. GDP per capita is used as a proxy for income levels in the recipient country. This variable has a skewed distribution, and this is controlled for by taking the logarithm of GDP per capita. The second proxy for humanitarian conditions is the poverty headcount ratio, to indicate poverty levels in the recipient countries. The lower income or the more people living in poverty in a country, the more people in the recipient country are in need of assistance. The third and fourth indicators represent the non-monetary living conditions in the recipient country. Infant mortality rates are a good indicator of economic conditions of the poor, since they are very much linked to consumption and health services (Boone, 1994). Not only infant mortality but also the number of doctors represents living conditions and health facilities in the recipient country. The higher infant mortality or the lower the number of doctors, the more people in the recipient country are in need of foreign assistance. To sum up, the humanitarian motive is represented by income, poverty rate, infant mortality and doctors.

6.3.2 Economic interests

Next, the economic interests motive of globalism is indicated by three different variables. Commercial ties between China and the recipient are proxied by the size of bilateral trade, the sum of total imports and exports between China and the recipient country. Moreover, because of the accusations made towards China’s concerning natural resources it is important to include variables reflecting the natural resource situation in the recipient country (Dreher et al., 2015). The first variable to reflect this is the level of mineral depletion in the recipient country. From the accusations one would expect that high depletion rates negatively affect aid allocation, since opportunities for the future are low. This variable has a skewed distribution, and this is controlled for by taking the logarithm of mineral depletion. The third indicator needs to reflect import opportunities of natural resources for China. This is reflected by exports of agricultural raw materials as a percentage of the total merchandise exports of the recipient country. This variable has a skewed distribution, and this is controlled for by taking the logarithm. Hence, the indicators for economic motives for aid provision are bilateral trade with China and natural resource opportunities for China in the recipient country.
6.3.3 Strategic political interests

Lastly, strategic political interests motives founded in realism are examined by analysing the relation between aid and diplomatic relations. Multiple empirical studies found evidence that countries receive more aid when they have stronger diplomatic ties with the recipient country (Alesina & Dollar, 2000; Kilby, 2010 among others). This might as well be the case for China. Diplomatic relations are indicated United Nations General Assembly (UNGA) voting alignment\textsuperscript{22}. This voting alignment is reflected by a dyadic affinity score which ranges from -1 to 1. A score of 1 means that China and the recipient country have most similar interests for issues voted upon in the UNGA, and -1 means least similar interests. The second proxy for strategic interests is Lijphart’s index of agreement\textsuperscript{23}. This index takes into account the three voting alternatives in the United Nations: yes, no and abstain. An index of agreement of 1 indicates full agreement between China and the particular developing country on all roll call votes in a given year. An index of agreement of 0 indicates that the two countries always vote opposite (Lijphart, 1963). The third proxy for strategic interests reflects geographical distance. Bilateral aid tends to be biased by geographical proximity since donor countries may favour countries geographically close to promote a sphere of influence. The geographical distance from China to the capital city of the recipient country is therefore used as a third proxy for strategic interests. To conclude, strategic interests are proxied by UN voting alignment, agreement on diplomatic issues and geographical distance.

6.3.4 Control variables

If there is an element which possibly relates to both the dependent and the independent variable, it needs to be included in the regression as a control variable. If this element is not included, it will turn into a confounding factor which will harm the internal validity of the model\textsuperscript{24}. Past aid allocation studies have used several control variables in the OLS regressions. Craig Burnside and David Dollar (2000), for example, were only interested in the relation between policies in the recipient country, but they also needed to control for other aid determinants like population and income. The regression in this study already includes many country characteristics, and extra country characteristics as control variables are therefore omitted. The only exception here is population size, which is not used to indicate any of the

\textsuperscript{22} The voting similarity index (0-1) is equal to the total number of votes where both states agree divided by the total number of joint votes.

\textsuperscript{23} Lijphart’s index of agreement is calculated by the sum of the number of votes on which two states agree and half of the number on which two states partly agree, divided by the total number of votes (Lijphart, 1963).

\textsuperscript{24} Other coefficient estimates will also signal the relation between the confounding factor and the dependent variable, and it will therefore harm the results and its interpretation.
motives. The literature has shown that countries with small populations receive relatively more aid, while countries with large population, like India, are more ‘in need of’ aid (Alesina and Dollar, 2000). Population size is therefore used as the only control variable in this study.

6.4 Change
This study will not only examine China’s aid motives between 2000 and 2014 but also whether the importance of these aid motives has changed over time. This period is divided into three sub periods, which are determined by the timespans of the Five Year Plans. As a result, the analysis will reveal changes in aid determinants of Chinese allocation policies for 2001-2005, 2006-2010 and the remaining years of the Twelfth Five Year plan of which data is available, 2011-2014. To be able to analyse this change, a dummy variable for every period needs to be generated. These dummy variables are interacted with the recipient country characteristics to capture the structural breaks of the Five Year Plans. With the inclusion of interaction terms in the regression, the two individual components of this interaction, the main terms, also need to be included. This is necessary to prevent omitted variable bias. This implies that for the change analysis for every country characteristic an interaction term is included in the regression, as well as the period dummy25.

6.5 Regression models
From this description of the methodology follows the next two regression models:

1) Importance of aid motives for 2000-2014:

\[
\text{Aid}_{rt} = \alpha + \beta_1 \times \text{Political strategic interest}_{rt} + \beta_2 \times \text{Economic interest}_{rt} + \beta_3 \times \text{Need for aid}_{rt} + \beta_4 \times \text{Control variable} + \varepsilon_{rt}
\]

2) Change in aid motives from one Five Year Plan to the other:

\[
\text{Aid}_{rt} = \alpha + \beta_1 \times \text{Political strategic interest}_{rt} \times \text{time period} + \beta_2 \\
+ \beta_3 \times \text{Economic interest}_{rt} \times \text{time period} + \beta_4 \times \text{Need for aid}_{rt} \times \text{time period} \\
+ \beta_4 \times \text{Control variable} + \varepsilon_{rt}
\]

6.6 Multicollinearity
If proxies across or within the humanitarian, economic or strategic motives are moderately or highly correlated, they cannot be included simultaneously in the regression. Otherwise the model will suffer from multicollinearity. This phenomenon is harmful for the analysis and the

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25 The other component of the interaction terms, the individual country characteristic variables, were already included in the regression and therefore do not need to be included again.
interpretation of the results, and therefore needs to be prevented\textsuperscript{26}. In this study, the poverty rate and income levels are two indicators of humanitarian motives which are highly correlated; the lower income levels, the higher poverty rates. Two measures are taken in order to prevent the model to suffer from multicollinearity. Multiple indicators are used to proxy an aid motive, but not all of these proxies are included in the regressions simultaneously. This will increase the number of regressions in the results but will make the results more accurate\textsuperscript{27}. Secondly, correlation across the different motives might also exist, and this should also be taken into consideration. When an indicator for economic motives is correlated with an indicator for humanitarian motives, this should be controlled for by including the economic proxy which is least correlated with the humanitarian indicator of interest\textsuperscript{28}.

\textsuperscript{26} When the predictors in the model are (highly) correlated with other predictors in the model, the variance of the coefficient estimates will increase and the estimates are sensitive to minor changes in the model. This makes the coefficient estimates unstable and difficult to interpret. As a consequence, the statistical power of the analysis is harmed.

\textsuperscript{27} To illustrate, to analyse whether infant mortality influences aid allocation, infant mortality is included and the other humanitarian proxies are excluded.

\textsuperscript{28} To illustrate, for the analysis of economic motives for 2000-2014, humanitarian motives are controlled for by infant mortality because income and poverty rate are most correlated with the proxies for economic motives.
7 Results

This chapter presents the results of the empirical analysis of this study. The results are split in three sections, one for each of the aid motives.

The first set of regressions analyse the dataset for the three different motives for aid provision for the entire time period 2000-2014. The coefficient estimates of the recipient country characteristics indicate the importance of the characteristic for one of the two decision-making stages between 2000 and 2014. The second set of regressions analyses the dataset for the change in importance of the indicators of the three different motives for aid provision over time. The period 2000-2014 is divided up in three sub periods. The interaction term is the variable of interest here. A positive and significant coefficient estimate means that the indicator was more important for decision making in one sub period relative to the other two sub periods, and vice versa.

7.1 Humanitarian interests

Table D displays the results for the regressions focused on the different indicators for humanitarian aid motives. The coefficient estimates for the variables of interest in the yes/no-regression are insignificant; no evidence has been found that countries with bad humanitarian conditions were more likely to receive aid from China between 2000 and 2014. In contrast, the coefficient estimates for the size-decisions are significant; the higher the poverty rate, the lower income, the higher infant mortality rates or the lower doctor rates the larger the size of the aid commitments by China between 2000 and 2014.

Table G displays significant and positive coefficient estimates of the indicators of poverty and infant mortality rate for the size-decision. Poverty and infant mortality in the recipient country were more important for the size of aid commitments between 2000 and 2005 compared to the years between 2006 and 2014. Tables H confirms this by showing that these two indicators were indeed less important between 2006 and 2010. Evidence for the indicator of income, however, points in a complete other direction. Table G and H indicate that the level of income in the recipient country was more important for the size-decision between 2006 and 2010 relative to the other two sub periods. So, poverty and infant mortality became less important over time for the size decision, while income was more important between 2006 and 2010. This makes the results for the change in importance of humanitarian needs with respect to the size decision ambiguous.

Table G, H and I display very limited evidence for the change in importance of humanitarian needs for the yes/no-decision; except for the poverty indicator all coefficient
estimates are insignificant. This is consistent with the overall result for 2000-2014, which showed that humanitarian needs in the recipient country have not had a large impact on China’s yes/no-decision.

To conclude, humanitarian motives were expected to play an important role in China’s decision making process. Countries were, however, not more likely to receive aid based on humanitarian needs between 2000 and 2014. The regression results showed convincing evidence that humanitarian concerns positively influence the size of the aid commitment, once a country receives aid from China. This effect was the largest between 2000 and 2005 and it has decreased since then. This may be explained by the fact that domestic development was the key objective in the Tenth Five Year plan (2000-2005). Perhaps, this objective has spilled over to foreign policy. Hence, hypothesis 1a is accepted but 1b is rejected.

7.2 Economic interests

Table E presents the results for regressions focused on the different indicators of economic aid motives. The higher imports and exports between China and a developing country, the more likely it is that this country receives development aid from China and the higher the aid commitments. Energy depletion in a developing country negatively affects both the yes/no-decision as well as the size of the commitment. This indicates that energy and trade opportunities abroad have played a role in both stages of aid decision making between 2000 and 2014. The result for raw materials shows that the larger the proportion of exports are raw materials, the less likely a developing country is to receive aid from China. The size of aid commitments is, however, not influenced by raw material exports. Lastly, no evidence has been found for importance of mineral depletion in any of the two stages of decision making. In sum, three out of four proxies for economic motives indicate that specific economic conditions made it more likely for developing countries to receive aid. Evidence for influence of economic conditions in the recipient country on the size of commitment is less convincing.

The results in table K, L, M display limited evidence for a change in importance of economic conditions in the recipient country... The only exception is the indicator of mineral depletion. This, however, was the only variable which showed insignificant results in the analysis for the entire period. Hence, interpretation of changes in importance of this variable does not make any sense.

To conclude, the policy analysis revealed that China prefers to allocate aid to countries which can contribute to China’s domestic economy. The regressions results show that certain economic characteristics made it more likely for developing countries to receive aid from
China. Though, this finding is less convincing as for the humanitarian needs. The effect on economic conditions on the size of aid commitments is less convincing, and the analysis did not provide evidence for changes in importance of the recipient’s economic conditions. Hence, hypothesis 2a can only be accepted with respect to the yes/no-decision, and no evidence has been found to accept hypothesis 2b.

7.3 Strategic interests

The coefficient estimates in table F show the importance of the proxies for strategic motives for aid allocation policies between 2000 and 2014. The coefficient estimates for UN voting alignment and the agreement index for the yes/no-regression are positive and significant. This indicates that the more developing countries voted aligned with China and agreed with China on political issues, the more likely they were to receive aid from China between 2000 and 2014. No evidence has been found for an effect of these factors on the size of aid commitments. Also, no evidence has been found for a bias towards neighbouring countries in any of the two decision-making stages. In sum, evidence shows that strategic interests played a role in the yes-no decision of China between 2000 and 2014.

Table M displays that UN voting alignment and the agreement index were less important for the yes/no decision between 2000 and 2005 compared to the other two sub-periods. Table N and O, however, do not confirm this because the coefficient estimates do not show that between 2006 and 2014 these two indicators were less important.

To conclude, the policy documents did not reveal much about possible strategic interests. It was therefore expected that strategic motives only played a minor in decision making is minor. However, the regression results present clear evidence for a relation between the two. When developing countries voted aligned in the UN General Assembly or agreed on political issues they were more likely to receive aid. This evidence is more convincing compared to the economic motives. This effect was larger after 2005 than before. This is hard to explain based on the policy documents since they barely reveal any strategic motives. No evidence has been found for an effect of strategic interests on the size of aid commitments. Hence, both hypotheses 3a and 3b can be rejected.
8 Conclusion

In the aid allocation literature there is consensus that traditional OECD-DAC donors provide aid based on their own interests and based on needs in recipient countries. This study aims to contribute to the establishment of a consensus around aid determinants of emerging donors, part of the group of non-DAC donors. In the rogue donor debate, these emerging donors are said to undermine global sustainable development, to act out of self-interest and to support rogue states such as Sudan and Zimbabwe. China is often portrayed as head of these rogue donors. This study aims to provide clarification in this debate through an analysis of China’s aid motives.

China does not officially report about its foreign development activities, and their actual motives might therefore remain to be unknown. An analysis of government documents and announcements present the official aid motives. A regression analysis of the dataset for all recipient countries between 2000 and 2014 shows what China’s actual motives for aid provision are. Pluralism, globalism and realism present three different types of motives for foreign development assistance, respectively humanitarian motives, economic motives and strategic motives. These three categories are used to categorize findings in the policy and data analysis.

The policy documents and announcements underwrite the importance of humanitarian needs for aid allocation decisions. The regression results show that humanitarian needs did not make it more likely for a developing country to receive aid from China. However, once they received aid, countries with bad humanitarian conditions received more aid. This effect has been larger between 2000 and 2005 compared to the years after 2005. The policy document analysis also revealed that China prefers to allocate aid to countries which can contribute to its domestic economy. Developing countries with certain economic characteristics were indeed more likely to receive aid from China, though this evidence is less convincing than for the humanitarian needs. In addition, while the expectations based on the policy documents were low, clear evidence has been found for a relation between strategic interests and aid allocation. When developing countries voted aligned with China in the UN General Assembly or agreed on political issues they were more likely to receive aid. This effect has been stronger after 2005 than before. Evidence for strategic motives is stronger in general, compared to the economic motives. In sum, China decided which countries would receive aid based on economic and strategic (self) interests. Among those countries which receive aid, the commitment was larger when the population was more in need.
Based on the regression results, only two out of six hypotheses are accepted. Since these hypotheses are based on the policy analysis, this illustrates the discrepancy between the official and the actual aid determinants. This indicates the relevance of data analyses for emerging donors such as China.

Future research needs to confirm the conclusions of this research. Once new datasets are available for China’s aid outflow, this analysis needs to be repeated to see if the outcomes are similar. In addition, the results could be refined if other possible aid motives are examined, and if other proxies are used for humanitarian, economic and strategic motives. Since a consensus needs to be established for aid determinants for all emerging donors, it is important that more studies in the future are devoted to emerging donors, rather than DAC donors.
9 References

9.1 Primary sources


9.2 Statistical data sources


9.3 Secondary sources


10 Appendix

Table A: China’s Aid history

### Table B: Variable description and data source

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid commitments</td>
<td>The amount China has agreed to provide for the duration of a project, recorded in the year in which the commitment was made, converted to USD and adjusted for inflation and exchange rate changes and presented at prices and exchange rates of 2009.</td>
<td>AidData (2016)</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population size</td>
<td>The number of people living in the recipient country in a given year.</td>
<td>World Bank (2016a), World Development Indicators</td>
</tr>
<tr>
<td>Poverty rate</td>
<td>Poverty headcount ratio, the percentage of the population of the recipient country living on less than $1,90 a day at 2011 international prices.</td>
<td>World Bank (2016a), World Development Indicators</td>
</tr>
<tr>
<td>Income</td>
<td>GDP per capita based on purchasing power parity (PPP). Data are in constant 2011 international dollars.</td>
<td>World Bank (2016a), World Development Indicators</td>
</tr>
<tr>
<td>Infant mortality</td>
<td>The number of infants dying before reaching one year of age, per 1,000 live births in a given year.</td>
<td>World Bank (2016a), World Development Indicators</td>
</tr>
<tr>
<td>Doctors</td>
<td>The number of physicians, including generalist and specialist medical practitioners, per 1,000 people in a given year.</td>
<td>World Bank (2016a), World Development Indicators</td>
</tr>
<tr>
<td>Bilateral Trade</td>
<td>The total value of imports and exports between China and the recipient.</td>
<td>IMF (2016), Direction of Trade statistics.</td>
</tr>
<tr>
<td>Minerals</td>
<td>Mineral depletion, the ratio of the value of the stock of mineral resources to the remaining reserve lifetime. It includes, tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite and phosphate.</td>
<td>World Bank (2016), World Development Indicators</td>
</tr>
<tr>
<td>Energy</td>
<td>Energy depletion, the ratio of the value of the stock of energy resources to the remaining reserve lifetime. It includes coals, crude oil and natural gas.</td>
<td>World Bank (2016), World Development Indicators</td>
</tr>
</tbody>
</table>

39
Raw Materials: Agricultural raw materials exports, as a percentage of merchandise exports. It includes crude materials (Standard International Trade classification section 2) like hides, wood, cotton, wool, aluminium, ore but excludes coal, petroleum, precious stones, metalliferous ores and scrap. 

World Bank (2016a), World Development Indicators

UN Voting: Affinity score for the recipient’s vote in the United Nations General Assembly. The index ranges from -1 to 1, where a score of -1 means that China and the recipient have least similar interests.

United Nations General Assembly Voting Data (Voeten et al. 2013)

Geographical distance: Bilateral distance in kilometres from China to the capital city of the recipient country.

CEPII (2016)

Agreement index: Lijphart’s index of agreement on political issues between China and the recipient country.

United Nations General Assembly Voting Data (Voeten et al. 2013)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of observations</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
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<tbody>
<tr>
<td><strong>Dependent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aid commitments</td>
<td>2.214</td>
<td>218,5 mln</td>
<td>1,4 bln</td>
<td>0</td>
<td>45,8 bln</td>
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<tr>
<td><strong>Independent variable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population size</td>
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<td>25 mln</td>
<td>88,6 mln</td>
<td>9.419</td>
<td>1,3 bln</td>
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<tr>
<td>Poverty rate</td>
<td>1.668</td>
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<td>23,84</td>
<td>0</td>
<td>91,21</td>
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

### Table F: Importance of strategic motives 2000-2014

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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1
The variables which are omitted from table G, H & I, because of space limitations, but which were included in the regression are: Population size, trade, UN voting alignment, the main terms of poverty rate, infant mortality rate and income, and the dummy variables for the relevant sub periods.

### Table G: Relative importance humanitarian motives 2000-2005

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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

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<td>-19359296.20*** (6,552,264.17)</td>
<td>-2.41e+08 (165625421.75)</td>
<td>-2.52e+08 (28645446.05)</td>
<td>182152565.66 (12791454.99)</td>
<td>367616777.81* (188832574.08)</td>
<td>10483028.44 (97352665.57)</td>
<td>198502363.69 (168987295.47)</td>
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<tr>
<td>Infant mortality</td>
<td>-2.06e+09*** (366441704.18)</td>
<td>-3.34e+09*** (944240632.42)</td>
<td>-1.87e+09*** (295649422.67)</td>
<td>-2.82e+09*** (803520842.44)</td>
<td>(406783097.65)</td>
<td>(820928755.23)</td>
<td>(319992772.50)</td>
<td>(820928755.23)</td>
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<tr>
<td>Income</td>
<td>-2.41e+08 (165625421.75)</td>
<td>-2.52e+08 (28645446.05)</td>
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

29 The variables which are omitted from table G, H & I, because of space limitations, but which were included in the regression are: Population size, trade, UN voting alignment, the main terms of poverty rate, infant mortality rate and income, and the dummy variables for the relevant sub periods.
The variables which are omitted from table J, K & L, because of space limitations, but which were included in the regression are: Population size, infant mortality rate, UN voting alignment, the main terms of trade, minerals, raw material, and energy, and the dummy variables for the relevant sub periods.

### Table 1: Relative importance humanitarian motives 2011-2014

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<td>Yes/no</td>
<td>Size of Aid</td>
<td>Yes/no</td>
<td>Size of Aid</td>
<td>Yes/no</td>
<td>Size of Aid</td>
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<td>4,372,023.08</td>
<td>210,982.96</td>
<td>4,372,023.08</td>
<td>210,982.96</td>
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<td>210369304.32</td>
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<td>(151773450.21)</td>
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<tr>
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<td>-3.09e+09***</td>
<td>-4.09e+09***</td>
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<td>26027838.82</td>
<td>93519395.77</td>
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<td>857</td>
<td>1.438</td>
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<tr>
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<td>-5.06e+09***</td>
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<tr>
<td>Observations</td>
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<td>(1.90e+09)</td>
<td>(1.90e+09)</td>
<td>(80343788.39)</td>
<td>(1.50e+09)</td>
<td>(952391236.74)</td>
<td>(623853833.38)</td>
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

### Table 2: Relative importance economic motives 2000-2005

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<td>Size</td>
<td>Yes/no</td>
<td>Size</td>
<td>Yes/no</td>
<td>Size</td>
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<td>(0.02)</td>
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<td>-2.71e+09***</td>
<td>-2.74e+09***</td>
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<td>-2.1e+09*</td>
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<td>861</td>
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<td>814</td>
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<td>(919859281.79)</td>
<td>(1.50e+09)</td>
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</tbody>
</table>

*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

30 The variables which are omitted from table J, K & L, because of space limitations, but which were included in the regression are: Population size, infant mortality rate, UN voting alignment, the main terms of trade, minerals, raw material, and energy, and the dummy variables for the relevant sub periods.
### Table K: Relative importance economic motives 2006-2010

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<th>Aid Yes/no</th>
<th>Aid Size</th>
<th>Aid Yes/no</th>
<th>Aid Size</th>
<th>Aid Yes/no</th>
<th>Aid Size</th>
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<tbody>
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<td>-8953497.85 (7017486.68)</td>
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<td>Minerals</td>
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<td>-1.34e+09*** (243731842.57)</td>
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<td>-1.01 (0.03)</td>
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<td>-1.34e+09*** (243731842.57)</td>
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<tr>
<td>Raw Materials</td>
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<td>-2.83e+09*** (803520842.44)</td>
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<tr>
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<td>1,449</td>
<td>861</td>
<td>1,452</td>
<td>861</td>
<td>1,362</td>
<td>814</td>
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</table>

*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

### Table L: Relative importance economic motives 2011-2014

<table>
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<th>Aid Size</th>
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<th>Aid Size</th>
<th>Aid Yes/no</th>
<th>Aid Size</th>
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<td>5,684,983.16 (7,503,388.45)</td>
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<td>861</td>
<td>1,362</td>
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1
The variables which are omitted from table M, N & O, because of space limitations, but which were included in the regression are: Population size, poverty rate, trade, the main terms UN voting alignment, geographical distance and agreement index, and the dummy variables for the relevant sub periods.

Table M: Relative importance strategic motives 2000-2005

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<td>Size</td>
<td>Yes/No</td>
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<td>Geographical distance</td>
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<td>-20,376.12</td>
<td>(33,886.42)</td>
<td>(46,109.28)</td>
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<td>-6.86e+09***</td>
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<td>Agreement index</td>
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<tr>
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

Table N: Relative importance strategic motives 2006-2010

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<td>706411305.21</td>
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<tr>
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<td>(944240632.42)</td>
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<td>(944240632.42)</td>
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*** significant at p<0.01, ** significant at p<0.05, * significant at p<0.1

The variables which are omitted from table M, N & O, because of space limitations, but which were included in the regression are: Population size, poverty rate, trade, the main terms UN voting alignment, geographical distance and agreement index, and the dummy variables for the relevant sub periods.
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*** significant at p<0.01, ** significant at p=0.05, * significant at p<0.1