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IMPLICATIONS OF NON-OECD AID IN SOUTHEAST ASIA

The Chinese example

May Tan-Mullins

Introduction

In 2009 China surpassed the United States and Japan to become Southeast Asia’s most important trade partner, comprising 14 percent of total external trade for ASEAN in 2013 (Miller 2015, 1). China will become an even more important trading partner, particularly with the completion of the ASEAN-China Free Trade Agreement in November 2015 (Li and Xu 2016). As an immediate neighbor, Southeast Asia represents an enormous market for Chinese trade, goods and influence. The establishment of the Asian Infrastructure Investment Bank (AIIB), spearheaded by the Chinese government and focusing on the Asia Pacific region, also signals the increasing Chinese role in financing aid-related projects (Kamal and Gallager 2016).

The Development Assistance Committee (DAC) of the Organization of Economic Co-operation and Development (OECD) comprises 24 industrialized countries and the European Union. These countries make up more than two-thirds of external finance for the least developed countries (OECD 2015a) and have a strong interest in promoting global norms of good governance through the disbursement of official development assistance (ODA). China is not a member of the DAC, and although current Chinese aid levels are low compared to traditional OECD donors, the estimated combined figures for Chinese preferential export buyers’ credit, grants, interest-free or concessional loans reached US$14.1 billion in 2013 (Kitano 2014, 301). As such, there has been increasing scholarly research on the levels and impacts of Chinese overseas aid, particularly in Africa (Bräutigam 2009; Davies et al. 2008; Moyo 2009), and at global and regional scales (Bräutigam 2009, 2011; Kitano 2014). However, there is currently little data on Chinese foreign aid to Southeast Asia and its developmental impacts within the region. The absence of information is compelled by the lack of understanding of the different types of Chinese aid as well as a lack of transparency and information.

This chapter responds to this gap in knowledge by examining the historical trajectory of Chinese aid in the region and its wider implications for Southeast Asia. The data used for the paper were collated from interviews with academics, researchers from think tanks, government officials and diplomats, in addition to government policy papers and other secondary sources. Section two draws on this information to trace the historical development of Chinese aid and its modalities, both in a general sense and at the Southeast Asia regional scale. Section three will examine two topical issues surrounding Chinese foreign aid with reference to Southeast Asia:
a) its difference to OECD aid and (b) concerns regarding good governance. Finally, the chapter will conclude with an assessment of the wider implications of the growing influence of Chinese aid and Chinese roles and responsibilities as a global aid donor.

A brief history of Chinese aid globally and in Southeast Asia

China, as an aid giver, is considered part of a wider group of ‘emerging’ donors (Woods 2008). However, as Kragelund (2008) noted, China and many others deemed ‘emerging’ have been active donors for most of the Cold War period and beyond. Indeed, as early as 1950, the People’s Republic of China (PRC) commenced its aid program by providing material assistance to Asian countries such as the Democratic People’s Republic of Korea (DPRK) and Vietnam, to help them to achieve national independence and develop their economies (State Council 2011, 7). In addition, in 1956 after the Bandung conference, China gave Cambodia an outright grant of 800 million riyals (US$22.4 million) to build four cement and steel factories that created 5,000 new jobs (Marsot 1969, 195–196).

Communist states, such as Vietnam in Southeast Asia, received most of the initial aid from China (Marsot 1969, 189). The early years of Chinese aid were ideologically influenced, with catchphrases such as ‘mutual common ground’ and ‘equality.’ Foreign aid was officially guided by the Eight Principles for Economic Aid and Technical Assistance proposed by Premier Zhou Enlai in late 1963. Among the more prominent axioms was the call for equality, mutually beneficial relationships and a no strings attached policy. Aid projects were to be conducted:

1. in an equal and mutual beneficial relationship,
2. with no conditions or privileges,
3. to lighten the burden of the recipient countries,
4. to help recipient countries to achieve self-reliance and independent development,
5. to yield quick results with less investments,
6. to provide best quality equipment and materials,
7. to ensure transfer of technology and skills, and
8. Chinese experts are not allowed special demands or enjoy special amenities.

Over time the focus gradually shifted toward economic pragmatism in the 1980s, in line with the open door policy launched in 1979 and later the ‘Go Out’ policy in 2002 (see below). Aid to Southeast Asia has been influenced by the desire to win political allies (Ambassador, interview in Beijing, April 2011), with a particular focus on Myanmar, Cambodia and Vietnam. Contrary to the Chinese rhetoric that no conditions are attached to aid, a key principle in exchange for Chinese aid is that no diplomatic relations are to be formed by the receiving country with Taiwan (State Council 2011).

In 1993, the Chinese government established ‘the foreign aid fund for joint ventures and cooperative projects.’ Subsequently, from 1995, China with the China ExIm Bank began to provide medium- to long-term low-interest loans to developing countries. From 2010 to 2012, China gave US$14.41 billion comprised of grants, interest-free loans and concessional loans (State Council 2014, 1). Chinese aid is often project-based such as Engineering, Procurement and Construction (EPC) rather than taking the form of program aid (Davies et al. 2008), and in concrete terms there is a blurring of the boundaries between aid and investment. The Chinese usually pay for part of their oil and other resources in infrastructure, which means there is less free-floating cash for unscrupulous diversion. Aid and investment are channeled through a select group of Chinese corporations in line with the Chinese government’s ‘Go Out’ Policy (Reilly
and Na 2007). This policy was officially introduced in China’s Tenth Five Year Plan (2001–2005), which aimed to raise the rate of outflow foreign direct investment (FDI). The ‘going out’ strategy was then comprehensively implemented in the Eleventh Five Year Plan drafted in 2006 (CCPIT 2010). Some 180 companies have been designated by the Chinese state to benefit from preferential finance, tax concessions and political backing in order to ‘go global’ and become true multinationals (Alden and Davies 2006).

In terms of Chinese foreign aid policy, China has been criticized for the lack of information and directions. This resulted in the release of two White Papers on Chinese Foreign Aid, the first in April 2011 and second in July 2014. The first paper looks at the 60 years of history of Chinese foreign aid, focusing very much on the south–south cooperation and self-development rhetoric. There was also mention of utilizing a regional framework for disbursing of large aid amounts, such as the ASEAN framework. The strategic partnership between China and ASEAN was announced in 2003, and between 2010–2012, China has stepped up its efforts to provide funding through multiple channels, with particular emphasis on infrastructure construction. From this partnership, China has trained over 5,000 officials and technicians in fields such as agriculture and health (State Council 2014). The second White Paper is focused on the 2010–2012 period and two key themes of ‘helping improve peoples’ livelihood’ and ‘promoting economic and social development’ (Brant 2014).

The White Papers indicate that Asia is the second largest regional recipient of Chinese aid, attracting 30.5 percent of total aid. As illustrated in Table 12.1, out of a total of 121 recipient countries, 30 are in Asia, 51 in Africa, 19 in Latin America and the Caribbean, nine in Oceania and 12 in Eastern Europe (State Council 2014). China has also canceled 41 debts from 10 Asian countries amounting to 59.9 billion Yuan by the end of 2009 (State Council 2011). China is actively engaging with the regional frameworks and multilateral organizations such as the Greater Mekong Sub-regional Economic Cooperation Program and the Asian Development Bank to build the Kunming Bangkok Highway. One of the most impressive Chinese aid packages to Southeast Asia as a region was in April 2009, when Beijing offered an aid package of US$25 billion to help Southeast Asia countries to cope with the financial crisis, in addition to US$39.7 million of special aid to Cambodia, Laos and Myanmar (Reilly 2011, 89).

It is difficult to gauge exactly how much aid individual Southeast Asian countries are receiving due to the lack of accurate statistics. Some of the figures are also conflated with investment capital (as illustrated below). However, from numerous reports and research papers, the main Chinese aid recipients are Low Income Countries (LIC) such as Myanmar, Laos, Cambodia and Vietnam. According to the 2008 Congressional report (Lum et al. 2008), Myanmar is the largest recipient of Chinese aid. According to Genser (2006), China has pledged nearly US$5 billion in

<table>
<thead>
<tr>
<th>Regions</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Africa</td>
<td>51.8%</td>
</tr>
<tr>
<td>Asia</td>
<td>30.5%</td>
</tr>
<tr>
<td>Europe</td>
<td>1.7%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>8.4%</td>
</tr>
<tr>
<td>Oceania</td>
<td>4.2%</td>
</tr>
<tr>
<td>Others</td>
<td>3.4%</td>
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</table>

*Source*: State Council 2014
### Table 12.2 Timeline of Chinese aid with particular reference to Southeast Asia

<table>
<thead>
<tr>
<th>Year</th>
<th>Programs/Milestones</th>
<th>Comments</th>
</tr>
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<tbody>
<tr>
<td>1950</td>
<td>Start of material assistance/foreign aid program for Democratic Republic of Korea and Vietnam</td>
<td>Ideology-driven</td>
</tr>
<tr>
<td>1955</td>
<td>Asian-African Conference in Bandung</td>
<td>South-south cooperation, ideology driven</td>
</tr>
<tr>
<td>1964</td>
<td>Eight principles adopted</td>
<td>As proposed by Premier Zhou Enlai</td>
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<tr>
<td>1993</td>
<td>Foreign Aid Fund for Joint Ventures and Cooperative Projects were set up</td>
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</tr>
<tr>
<td>1995</td>
<td>China ExIm Bank began to disburse low-interest loans</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>Premier Zhu Rongji increased assistance to Southeast Asia after the conflict with Philippines over reefs in South China Sea</td>
<td></td>
</tr>
<tr>
<td>From 2000s</td>
<td>Rapid increase in Chinese foreign aid volume</td>
<td>Coincided with its increasing financial reserves relating to accession to World Trade Organization and global trade</td>
</tr>
<tr>
<td>2003</td>
<td>China and ASEAN signed Joint Declaration on Strategic Partnership for Peace</td>
<td>Partly due to the South China Sea conflict</td>
</tr>
<tr>
<td>2006</td>
<td>China pledges nearly US$5 billion in loans, equipment and investment in minerals and power sectors for the Burmese</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Combined value of Chinese aid to Southeast Asia is US$14.8 billion</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** May Tan-Mullins

loans, equipment and investment in minerals and power sectors for the Burmese. From 1991 to 2006, approximately US$883 million in grants, interest-free and subsidized loans and debt relief were disbursed to Myanmar (Reilly 2011). Projects are usually in the sector of infrastructure, power and agriculture such as hydropower dams, roads and factories.

China also continues to provide considerable aid to Laos and Cambodia. From 2000 to 2009, China provided Cambodia with US$204 million in grants and US$500 million in concessional loans. Much of it has gone to support infrastructural projects, which enhance market access and provide valuable experience and economies of scale for Chinese state-owned companies, thus strengthening their positions in the Cambodia market (Reilly 2011, 79). In 2006, China pledged US$600 million in aid and loans to Cambodia and forgave Cambodia’s entire debt to China (Kurlantzick 2006). Chinese aid to Laos has also increased gradually since 1999. By 2009, China’s total ODA was estimated at US$46.5 million with numerous prestigious projects, such as the Tonchan palace, five star hotels in Vientiane and Lao National Stadium in its list of achievements (Reilly 2011, 82).

Between 2002 and 2007, combined value of aid and related investment projects to Southeast Asia amounted to US$14.8 billion, of which 43 percent was on infrastructure and public works, 32 percent in natural resource extraction and 3 percent to military, humanitarian and technical assistance (Turner and Wu 2011). Other forms of assistance include the China-ASEAN action plan on comprehensive food productivity enhancement plan to set up 20 experimental stations of improved crop varieties, and technology transfer and capacity building (State Council 2014).
Through constructing infrastructural projects, such as roads linking the various countries, China has managed to improve access to raw materials from these countries, and also consolidate export markets for Chinese products (Goh 2011). The timeline of major milestones of Chinese aid policy is summarized in Table 12.2.

**Chinese aid and OECD aid**

One of the debates surrounding Chinese aid is how it is different from OECD aid in terms of its definitions, types and delivery mode. As Ambassador Liu Zhemin (Permanent Mission of the People’s Republic of China to the UN, 2007) indicated, the Chinese aid program is indeed different from the Western aid agencies as it is a developing country and not a developed rich nation. A lack of understanding is compounded by the lack of information. This section will explore the similarities and differences between Chinese and OECD aid through assessing the delivery mode, definitions, modalities and discourses.

According to the Chinese State Council (2011), Chinese aid is mainly delivered bilaterally, through forms such as grants, interest-free loans and concessional loans, which are divided into eight categories, ranging from financial and technical assistance for key investments through to medical aid. Grants are mainly used for welfare and public projects such as schools, hospitals and water wells. Other projects utilizing grants include technical cooperation and emergency humanitarian aid. Interest-free loans are used for infrastructural projects such as roads and public facilities. These loans usually have the five-five-ten rule (which means five years of use, five years of grace and ten years of repayment).

The most contested form of Chinese aid is concessional loans. This form of aid is used to help recipient countries to build medium to large scale infrastructural projects, generating both economic and social benefits (State Council 2011). It is also disbursed mainly through engineering, procurement and construction (EPC) projects. This usually means aid is disbursed to the recipient through infrastructural projects, such as roads, stadiums and power stations, mainly built by the Chinese contractors (Tan-Mullins et al. 2010). Between 2010 and 2012, there were 550 completed projects in sectors ranging from public services such as hospitals and schools, economic infrastructure such as roads and power plants to agriculture and industry sectors, such as demonstration farms and factories in 80 countries (State Council 2014).

In terms of definitions, the OECD defines official development assistance (ODA) as: “Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective and which are concessional in character with a grant element of at least 25 percent (using a fixed 10 percent rate of discount).” However, this definition is highly irrelevant in today’s context due to changing banking realities. Low interest rates in today’s global economy and lending context make the above percentage exorbitant and unrealistic. As Brautigam (2011, 3) writes “When market interest rates hovered in the range of 1–4 percent, the DAC definition provides for a perverse effect: official loans could have a grant element of at least 25 percent even if the interest rates being charged is twice.” However, the OECD (2015b) has recently modernized this definition where under the new system, loans to LDCs and LICs must reach a grant element of at least 45 percent (instead of 25 percent previously) to be reportable as ODA, while Lower Middle Income Countries will require a 15 percent minimum grant element and Upper Middle Income Countries a 10 percent minimum grant element. Finally, the maximum ODA interest rates permitted have been lowered for all country categories and nearly halved for LDCs and LICs.

The Chinese also do not use the same categories of aid or ODA as the OECD, using some of their assistance to support joint ventures between Chinese firms and those in developing
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countries, including military aid (Tan-Mullins et al. 2010, 862). In some aspects Chinese foreign assistance resembles ODA, but in others it shares characteristics of foreign investment (Lengauer 2011, 38). Large lines of credit offered by Chinese policy banks, represented as Other Official Financing (OOF) (Brautigam 2011), are also included in the Chinese aid calculation. These include buyers’ credits, suppliers’ credits and also investment capital provided by the China Africa Development Fund, which theoretically do not count as ODA. Similarly, China does not include scholarships as part of ODA, whereas DAC counts them as part of development assistance (Brautigam 2011). As a result, it is difficult to provide a comparison due to the different items included in the numbers, which Brautigam (2009) termed as ‘comparing apples to oranges.’ A historic lack of domestic transparency compounds the uncertainties about what can be considered to be aid (Lancaster 2007).

Chinese aid generally has been perceived by critics as involving massive amounts, and possibly undermining global reforms in this area due to the different ways it is disbursed to developing countries. One of the main reasons accounting for the lack of transparency could be the administrating structure of Chinese aid in overseas contexts. Generally, the wide array of stakeholders and agencies involved with aid hinders the easy flow of information and transparency of management. Today, officially, the Ministry of Commerce (under the guidance of the State Council), where the Department of Foreign Aid is located, is the principal agent of foreign aid programs (Kitano 2014). However, there are other agents working on various projects concurrently, such as Ministry of Foreign Affairs (through its foreign-based embassies), Ministry of Finance (through its debt relief programs), China ExIm Bank (through concessional loans), provincial governments (through sister cities programs) and state-owned enterprises (Corporate Social Responsibilities programs). Kitano (2014) listed 13 different agencies involved in Chinese aid programs. Yet, the division of responsibilities between these actors is not clear, as there are many agencies involved and a lack of coordination is resulting in an overlap of duties between the stakeholders. As such, there is an absence of accurate and comprehensive data on foreign aid. Indeed, according to one respondent, China does not have a strong monitoring and evaluating system in place, which is a big challenge (interview with a Chinese think tank, 19 April 2011). Undoubtedly, the aid accounting system is currently evolving; perhaps it is not the intent of the Chinese government to avoid publishing aid figures, instead it is a direct result of no centralized institution coordinating aid activities.

Chinese aid also differs in its discourse surrounding modalities and practices. The objections from critics tend to be that Chinese aid delivery is fragmented, comes through a confusing array of modalities, places too much pressure on recipient states and increases transaction costs (see Birdsall 2008; Collier 2006; De Renzio 2006). Negotiation of projects is moreover very bilateral and high level without any public participation and usually focuses on infrastructure. However, the clearest distinction is over tied aid – requiring that a certain percentage of aid funds to be used to purchase services or items from the donor country. China explicitly requires only Chinese companies complete the infrastructural projects funded by its concessional loans (Reilly 2011, 76–77). As such, the concessional foreign aid loan program operated by China ExIm Bank is often viewed as a mix diplomacy, development and business (Brautigam 2011, 755), and rendered by some as an exploitative strategy to obtain market shares in overseas contexts, especially in LICs of Southeast Asia.

Another difference is the rhetoric of Chinese aid. The Chinese government does not consider itself as a ‘donor’ but as an ‘aid-deliverer,’ as it promotes an equal relationship instead of ‘indebted’ relations. ‘Sharing best practices’ and ‘equal partners’ are phrases often evoked in discussions of foreign aid relations. According to a respondent from a government-linked think tank based in Beijing: “We are reluctant to use these terms [donors], it is unfair. We say we are
partners. We are not just giving money; China always considers aid as part of the south-south cooperation” (interview with a government-linked think tank, Beijing 14 April 2011). Indeed, the relationship is also built on terms such as south-south brotherhood, win-win, mutual benefits and mutual respect. Similarly, the avoidance of the term ‘donor’ allows China to justify its practices through the ‘Chinese way,’ which currently deviates from the DAC norms of accounting aid volume and assessing its effectiveness. According to the Chinese respondents, their development experience is different from Western countries as they have developed their own rules and ways to deal with international affairs and relations. Some of the basic differences between OECD and Chinese aid are summarized in Table 12.3 below.

Good governance

Debates as to whether China is a rogue donor supporting corrupt regimes, exploiting natural resources and perpetuating the ‘resource curse,’ and implementing projects with poor human rights, labor and environmental records, is one of the most contentious issues surrounding Chinese foreign aid. For some, Chinese aid has been regarded as a new form of colonialism, exploitative in nature through employment of its own firms and national workers instead of hiring local labor. Naim (2007) describes China as an irresponsible rising power, non-democratic and non-transparent in nature. Brautigam (2011, 753) also indicated critics believe that China’s aid program is focused primarily on propping up pariah regimes or smoothing the way for Chinese companies to gain access to resources. China offers assistance without the conditions that other donors frequently place on aid (i.e., democratic reforms, market opening and environmental protection) (Lum et al. 2008, 5). Western donors feel particularly threatened by China’s foreign aid policy, as an increasing number of developing countries engage in projects with China rather than with traditional donors (Lengauer 2011). They worry that Chinese practices challenge hard-won reforms in the area of aid

<table>
<thead>
<tr>
<th>Issues</th>
<th>OECD</th>
<th>Chinese aid</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilateral aid</td>
<td>Yes</td>
<td>Yes</td>
<td>Chinese prefer to give aid bilaterally instead of through development agencies, regional organizations or NGOs.</td>
</tr>
<tr>
<td>Financing through development agency</td>
<td>Yes</td>
<td>No</td>
<td>Loans are often given out by the China ExIm Bank.</td>
</tr>
<tr>
<td>Concessional or favorable lending terms</td>
<td>Yes</td>
<td>Yes</td>
<td>Payment by resources is often referred as the ‘Angola mode’ of lending, as Angolans sometimes pay in oil barrels.</td>
</tr>
<tr>
<td>Grant element of at least 25%</td>
<td>No</td>
<td>Yes</td>
<td>Human rights, governance and transparency for OECD, One-China policy for China. In some projects, the Chinese government also stipulates only Chinese companies are qualified as builders and contractors.</td>
</tr>
<tr>
<td>Payment in kind (including resources)</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Source: May Tan-Mullins
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and official finance (Brautigam 2011, 753). Furthermore, China is not a member of the OECD
and not bound by any rules or expectations to follow their guidelines on foreign aid (Lengauer
2011, 38; interview, 18 April 2011). Chinese justification through the south-south and developing
country rhetoric of disbursing aid differently from the OECD may also compound fears.

In Southeast Asia, as elsewhere, Chinese foreign assistance and investment diverge from
internationally accepted norms emphasizing good governance, transparency and conditionality.
Many observers fear that China’s unconditional and non-transparent aid efforts and growing
economic integration in Southeast Asia negate efforts by Western nations to promote political
and economic reform, reduce corruption and protect the environment in mainland Southeast
Asia (Lum et al. 2008, 5). Criticisms of how Chinese aid-funded projects undermine good gov-
ernance are most prominent in Myanmar and Cambodia, where numerous Chinese hydropower
projects, such as the Myitsone Dam on the Irrawaddy River in Burma, were suspended due to
local and national opposition, lack of transparency and information, in addition to cultural and
democratic reasons. In Cambodia, the completed Kamchay dam in the Kampot Province also
demonstrated poor planning regarding environmental and social changes. Our recent study on
Chinese hydropower dams in Africa and Asia demonstrated there is very little compliance to
the Environment Impact Assessment process, and weak mitigation strategies toward social and
environmental implications arising from these dams, especially in the case study of Cambodia’s
Kamchay dam (Urban et al. 2015).

Whereas mainstream global development practice tends to impose conditionality for assistance
or loans, China’s rhetoric of “non-interference” dominates its way of aid giving in the region and
resonates strongly within the countries of ASEAN – an organization that holds dear principles of
mutual non-interference and cooperation (Kalathil 2012, 2–3). Indeed, non-interference is the
cornerstone of Chinese overseas aid policy, which leads to the bigger issues of transparency and
good governance, especially in terms of volume and allocation in receiving countries.

The inadequacy of information regarding foreign aid is attributed to the absence of transparency
and good governance in Chinese overseas aid activities. Issues of transparency and good governance
were first picked up by the international media and have slowly infiltrated the domestic media space.

International concerns arise over the type of regimes China deals with accompanied by
Corporate Social Responsibility (CSR) issues (concerning labor rights and environmental pro-
tection. However, as demonstrated in some works (Tan–Mullins and Mohan 2013; Tan–Mullins
et al. 2010), the outcomes and effectiveness of Chinese aid in LICs vary and are highly dependable
on country, sector of engagement, local government and civil society leadership. For example,
in Reilly’s (2011) paper, he demonstrated that Chinese aid is more effective in Cambodia
and Laos, due to an extensive international aid organizations and civil society presence, com-
pared to Myanmar, which has little or no civil society participation. Similarly, Tan–Mullins and
Mohan (2013) and Tan–Mullins et al. (2010) show that Chinese projects are more transparent
and have better governance mechanisms in Ghana compared to Angola, due to the more demo-
cratic nature of Ghana and the strong presence of NGOs in the country.

Conclusions: China as a rising power as a developmental partner

Chinese soft power diplomacy has been popular with Southeast Asia and other developing
countries as it is an alternative to international finance institutions and OECD–DAC donors
bankrolling loans with conditionalities. Southeast Asia, as a region, has experienced first-hand
the harsh conditionality tied to aid and loans disbursed by the Western institutions during the
1998 and 2008 financial crisis (Wing 2000; Sussangkarn 2011). Past experiences taught that
harsh conditionality for loans might not be the best way to enable recovery and development.
It is not surprising that Southeast Asia countries are increasingly more willing to turn to China, due to its economic clout and also as an alternative to Western influences. Moreover, with the set-up of the Asian Infrastructural Investment Bank (AIIB), China’s increasing role as a leading aid partner allows ASEAN states to ‘triangulate’ and play donors off against each other, and negotiate the best deal for the country in terms of conditionalities and benefits. To summarize, China and Chinese foreign aid is here to stay, and ASEAN states and OECD countries need to engage constructively with China in this changed aid landscape.

Providing large amounts of aid is a relatively new role for China and it is in a transitional phase in many aspects. On the one hand, China stresses the distinctiveness of its approach. On the other hand, it also expresses the desire to contribute to, or be part of, global aid efforts. There is an increased openness to advice and willingness to learn from other countries. While preaching non-interference in domestic politics, China’s interventions have undoubtedly exacerbated existing political problems in some countries, either by design or by default. China’s increasing willingness to engage with multilateral organizations such as OECD and Asian Development Bank are good signs of intention to exchange ideas and knowledge.

The most recent example of this willingness was the release of Chinese due diligence guidelines for responsible mineral supply, co-designed and implemented by Global Witness (an international NGO) and the Chinese Chamber of Commerce of Metals, Minerals and Chemical Importers and Exporters (see global witness 2015 for more information). This demonstrates how China has intensified efforts to promote international cooperation in development assistance to learn effectively from international experiences, improve efficiency of aid and enrich assistance forms. Another example is China and World Bank holding joint workshops on international cooperation featuring capacity development and shared experience in the field (State Council 2014). The above sentiments are captured by a senior official from a DAC-donor country: “China has not been a donor country for very long, so it is still learning for itself how it wants to do things, and China will be more open as the years go by’’ (interview with an ambassador, Beijing, 18 April 2011).

Capitalizing on these positive moves instead of excessive criticism and scrutiny on Chinese principles of lending is likely to be a constructive approach to engaging the Chinese state. As demonstrated above, the international community such as NGOs, academics and researchers have been successful in liaising with China and can step up engagement through helping China to improve evaluating and monitoring systems. Although China has the financial power to become a giant in the aid architecture, it is still very weak in terms of technology, know-how and good practices. There is also a need to strengthen cultural understanding between China and the international community, especially in overcoming cultural differences and misperceptions.

It is important to view China as a collaborator in the aid regime, and explore means and ways to cooperate and coordinate in terms of aid giving. OECD countries could perhaps explore how China and DAC donors could work together and coordinate complementary aid activities, such as China working on the infrastructure (hardware) and DAC donors focusing on human development (software) for recipient countries. It is only through focusing on the similarities, instead of emphasizing only differences, that China and OECD donors will be able to work together to provide effective assistance to the less fortunate in Southeast Asia and elsewhere.

Note

1 Acknowledgements: I would like to thank Mr. Stephan Stewart for proofreading the chapter.
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References


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